

A SURVEY OF COMPARATIVE MANAGEMENT
CONCEPTS AND PRACTICES: THE
UNITED STATES AND JAPAN

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CONCEPTS AND PRACTICES:

THE UNITED STATES AND JAPAN

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CHAPTER I

INTRODUCTION

Objective

During the past twenty-five years Japan has evolved from a war-ravaged country subsidized by the United States to a major industrial nation advancing at twice the speed of any other industrial country. Japan has grown economically to take a current position as the world's third largest industrial producer behind the United States and the Soviet Union.

Paul Samuelson, the distinguished American economist, envisions the possibility of a 160 percent growth in Japan's Gross National Product between 1970 and 1980.¹ Herman Kahn, a widely respected expert on Japan, predicts that that nation will continue building from its present base of power and that by the year 2000, it will surpass the United States in per capita G.N.P. to become the richest nation in the world.² The continuous real economic growth has averaged

¹Paul A. Samuelson, "Japan Revisited," Newsweek, November 15, 1971, p. 101.

²Herman Kahn, The Emerging Japanese Superstate: Challenge and Response (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1970), p. 130.

ten percent (since 1954) and is without parallel in the modern world. (See Table 1 and Chart 1.) Implications of this make Japan an important customer, supplier, and formidable competitor of the United States.

It is felt that a survey of Japanese management's concepts and practices which can be contrasted with those of the United States would be timely and hopefully useful. The success of that nation's managers in developing their economy will have a far-reaching impact on executives around the world. The growing interaction between these two societies requires a greater appreciation for the unique aspects of the two individually, and as they affect one another. The object of this study is to survey comparative management concepts and practices which have materially contributed to the economic success of both nations. It is hoped that a better understanding of the similarities and differences in managerial practices will prove of value to managers and students of management as the cultures of the United States and Japan come into greater contact in the future.

Scope

The scope of research for this thesis has been constrained due to the author's inability to read either Japanese ideographic script (Kanji) or the two current syllabaries (Katakana and Hiragana). Therefore, source data

TABLE 1

GROWTH RATE OF GNP (Real %)

	<u>1955-1960</u>	<u>1960-1965</u>	<u>1965-1968</u>
<u>Japan</u>	<u>8.9</u>	<u>10.0</u>	<u>12.4</u> ¹
Canada	3.4	5.5	4.8
France	5.3	5.8	4.8
W. Germany	7.6	5.0	3.1
Italy	5.6	5.3	6.0
U.K.	2.7	3.4	2.3
U.S.A.	2.2	4.8	4.7
U.S.S.R. ²	9.1	6.6	7.9

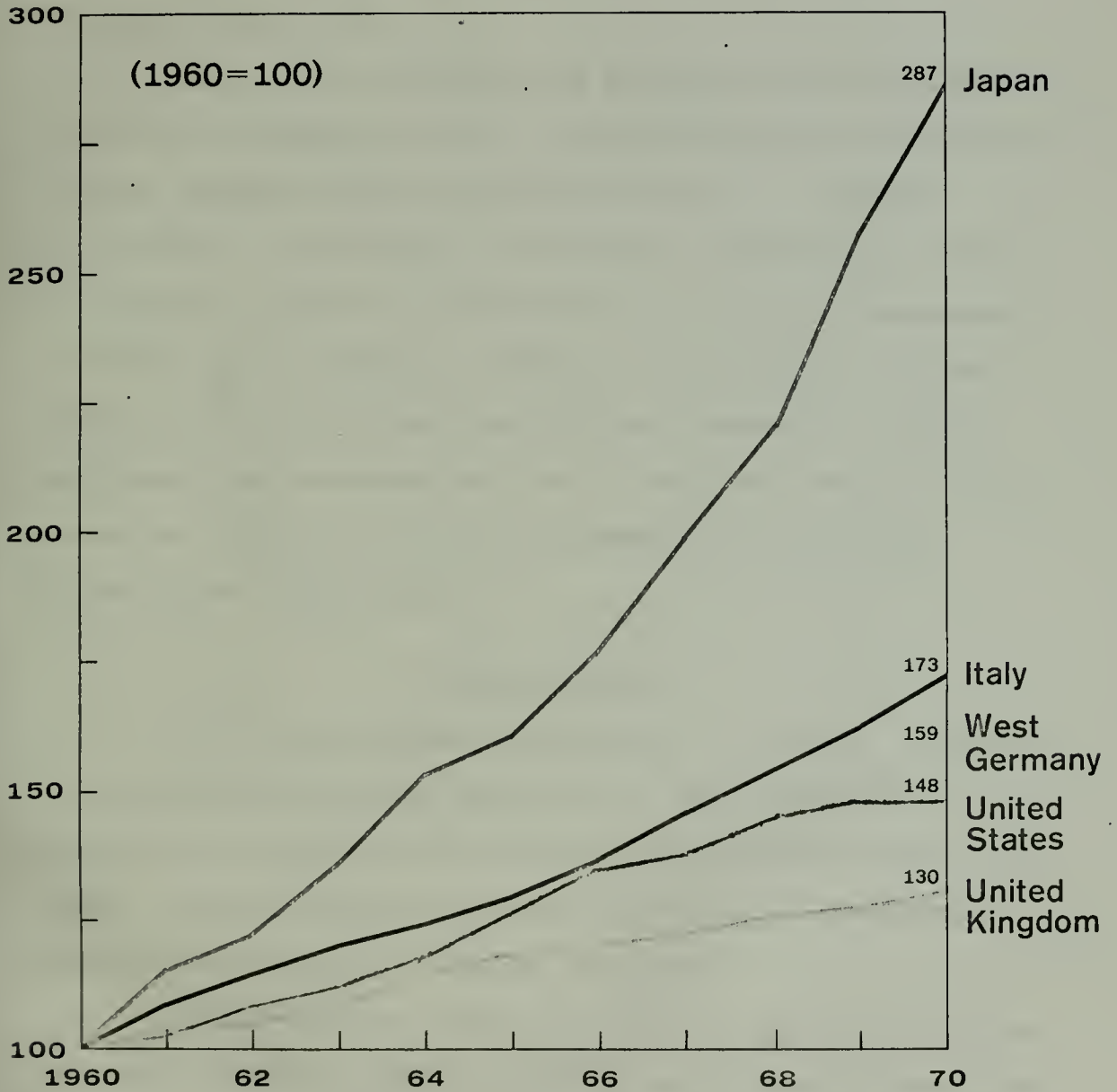
¹Figure for 1965-1969.

²Net material product.

Source: OECD and United Nations.

CHART 1

Index of Real GNP Growth



Source: The United States in the Changing World Economy
(Peterson Report).

has been necessarily reduced to those publications in English and French and to translations of Japanese works by other persons. By this restriction, much valuable information may have been omitted. However, a rather extensive bibliography has been developed with emphasis given to literature published since 1965.

Personal interviews with foreign service officers at the U.S. Department of State, Bureau of Far Eastern Affairs, and the Japanese Embassy in Washington, D.C. provided considerable insight into the Japanese philosophy, culture and values. Additional perceptions of Japanese management practices and contemporary changes in attitudes of recent graduates of educational institutions regarding lifetime employment and remuneration tied to seniority were cited by Katsuhiro Fujiwara, the chief economist of the United States-Japan Trade Council.

Organization

The study has been organized in a fashion to permit a comparative analytical approach to the evolution of managerial concepts and practices in the United States and Japan. An attempt has been made to maintain historical perspective throughout all the chapters.

In the writing of this study, the Japanese practice of giving the family name first has been observed where the names appear in the text. References to authors in the

footnotes and in the bibliography are in the standard Western manner with family name last. In addition, because so many Japanese terms have been used, a glossary of these has been added as Appendix I to facilitate identification.

As a basis for understanding the Japanese concepts and practices of management, and to provide a conceptual framework from which to expand, Chapter II examines the Post World War II economy of Japan. The effects of U.S. occupation and legislation aimed at dissolving the Zaibatsu are covered along with the reasons for the unparalleled economic growth.

Chapter III describes the Japanese management concepts and practices which are in some cases unique to that country.

An analytical comparison is made in Chapter IV of behavioral, functional and institutional dimensions which interface with the practices of management in Japan and the United States.

The national spirit and concern for productivity has imbued the labor, management, and government with a collective relationship which has been dubbed "Japan, Inc." Japanese management since World War II has played a significant role in the genesis of "Japan, Inc." Based upon the facts presented, Chapter V draws a conclusion as to the effects that Japanese managerial practices have had on the development of their viable and modern economy.

The durability of these practices is examined in light of the dynamic forces which have been thrust upon the country as a result of sustained growth. A determination is made regarding the universality of management principles and their effect on the managerial practices in the United States and Japan.

The writer has a Western point of view which serves as a base for utilizing management concepts for comparative purposes.

CHAPTER II

BASIC CHARACTERISTICS OF JAPAN'S POSTWAR ECONOMY

Background

When General of the Army, Douglas MacArthur, Supreme Commander for the Allied Powers (SCAP), returned to Japan on August 30, 1945, to begin seven years of allied occupation, he found a nation whose economy was completely shattered and whose major cities had been devastated by bombing. Twenty-two million Japanese, or 30 percent of the civilian population, were homeless.¹ What remained of Japan's manufacturing capability was outmoded or worn down.²

Economic Policies of the Occupation

The allies chose to further reduce Japan's war-making potential by exacting reparations. The United States post-surrender policy for Japan was promulgated in such a manner that the SCAP was able to exercise little latitude

¹Jerome B. Cohen, Japan's Economy in War and Reconstruction (Minneapolis: University of Minnesota Press, 1949), pp. 406-408.

²SCAP, Summation of Non-Military Activities in Japan and Korea for September-October 1945, No. 1 (Tokyo: SCAP-GHQ, January 1946), pp. 48-54.

in initial occupation policy which was designed to

. . . insure that Japan will not again become a menace to the United States or to the peace and security of the world The existing economic basis of Japanese military strength must be destroyed and not be permitted to revive To this end, it shall be the policy of the Supreme Commander . . . to favor a program for the dissolution of the large industrial and banking combinations which have exercised control of a great part of Japanese trade and industry.

.

The policies of Japan have brought down upon the people great economic destruction and confronted them with the prospect of economic difficulty and suffering. The plight of Japan is the direct outcome of its own behavior, and the Allies will not undertake the burden of repairing the damage.¹

The prospects of economic recovery were further diminished on November 1, 1945, when the Joint Chiefs of Staff gave direction to SCAP as follows:

You will not assume any responsibility for the economic rehabilitation of Japan on the strengthening of the Japanese economy. You will make it clear to the Japanese people that you assume no obligation to maintain any particular standard of living in Japan.²

As a result of the initial hard-line policy, Japanese leaders, both governmental and industrial, were confronted with an almost insurmountable task of rebuilding the economy. The initial recovery was slow. Although later

¹U.S. Department of State, War and Navy, United States Initial Post-Surrender Policy for Japan, as published in the U.S. Department of State, Occupation of Japan, pp. 78-79.

²JCS Staff Directive 1380/15, as published in Cohen, Japan's Economy, p. 417.

abandoned, 1930-1934 was selected as a base period for determining Japanese peacetime requirements. By 1947 production amounted to only 40 percent of the established base.¹

President Truman appointed Edwin W. Pauley as his representative on reparations. Pauley headed a commission which dealt Japanese industry a severe blow. On March 1, 1946, the Pauley report, among other things, urged that:

The Allied Powers should take no action to assist Japan in maintaining a standard of living higher than that of neighboring Asiatic countries injured by Japanese aggression Under this principle, a broad view should be taken of the economy, and especially of the varying degree of industrialization of Eastern Asia as a whole. The overall aim should be to raise and to even up the level of industrialization. This aim cannot be served by considered allocation, to different countries, of industrial equipment exacted from Japan as reparations. Reconstruction is an urgent need of all countries against which Japan committed aggression. Reconstruction is also needed in Japan. In the overall comparison of needs Japan should have the last priority.

.

The zaibatsu . . . are the greatest war potential of Japan. It is they who made possible all Japan's conquests and aggressions Unless the zaibatsu are broken up, the Japanese have little prospect of being able to govern themselves as free men. As long as² the zaibatsu survive, Japan will be their Japan.

¹U.S. Department of the Army, U.S. Army Area Handbook for Japan, 2nd ed. (Washington, D.C.: Government Printing Office, 1964), p. 659.

²Edwin W. Pauley, Report on Japanese Reparations to the President of the United States (U.S. Department of State Publication 3174, Far Eastern Series 25, Washington, D.C.: Government Printing Office, 1946), pp. 6-7, 39-40.

Dissolution of the Zaibatsu

A major policy decision which reshaped the Japanese economy involved the steps which were taken to deconcentrate Japanese industry and emasculate the Zaibatsus. This effort of debilitating the huge politically and economically powerful combines took three forms: first, the ownership base of industry was broadened by severing current ownership ties through confiscation of stock, dissolution, and/or reorganization of specific companies; second, the severing of personal ties; and third, the passage of major legislation with regard to monopoly and deconcentration.¹

In order to remove the threat of future military expansionist type influence, the following specific actions were taken: First, the four principal Zaibatsu (Mitsui, Sumitomo, Yasuda, and Mitsubishi) were directed to transfer "all securities owned by them and all other evidences of ownership or control of any interest in any firm, corporation or other enterprise"² to a Holding Company Liquidation Commission. Second, the leaders of Japanese industry were cited for their part in World War II and became the target of a SCAP personnel purge. As stated in JCS Directive 1380/15 of November 1, 1945, the object was

¹Thomas A. Bisson, Zaibatsu Dissolution in Japan (Berkeley: University of California Press, 1954), pp. 80-85.

²Ibid., p. 241.

To eliminate all persons who have been active exponents of militant nationalism and aggression. In the absence of evidence . . . to the contrary, you will assume that any persons who have held key positions of high responsibility since 1937 in industry, finance, commerce, or agriculture have been active¹ exponents of militant nationalism and aggression.

There is considerable disparity between source data figures as to the number of top executives actually purged. Combined source data varies between 4,764² to 4,020³ persons (directors, staff members with executive responsibility, auditors, etc.) who were required to cease work within their particular combine for ten years. Thirdly, two types of legislation were enacted which were designed to eliminate the monopolization of industry by the Zaibatsu. First, an antimonopoly law, the "Law Relating to [the] Prohibition of Private Monopolies and the Maintenance of Fair Trade," became law on April 14, 1947. This law was based upon a draft proposal submitted to the Japanese government by the Antitrust Division of the U.S. Justice Department and served to prohibit private monopolies from engaging in unreasonable restraint of trade and unfair methods of competition. When enacted it was very similar

¹Ibid., p. 188.

²Eleanor M. Hadley, Antitrust in Japan (Princeton, N.J.: Princeton University Press, 1969), pp. 92-102.

³Bisson, Zaibatsu Dissolution in Japan, pp. 165-175.

to the Clayton (Antitrust) Act.¹ Second, a deconcentration law, called the "Law for the Elimination of Excessive Concentration of Economic Powers" was promulgated on December 18, 1947. The function of this act was to eliminate excessive concentration of economic power in an enterprise "which by reason of its relative size in any line or in the cumulative power of its position in many lines, restricts competition or impairs the opportunity for others to engage in business independently."²

Effect of Legislation on Economy

These acts of liberalization had a far-reaching impact on the economy. Although the purge laws were in effect for only four years,³ they have affected the practice of management in several ways: (1) Management personnel selected to fill vacancies caused by the purge were chosen from the upper-middle layer of management on the basis of skill and managerial ability. Despite the depurge of 1951, relatively few of the executives ousted returned to their old positions. Some reasons for this are expressed below:

First, after the war many corporations became independent and their top management consisted now of new and younger executives--there was little

¹Kozo Yamamura, Economic Policy in Postwar Japan (Berkeley: University of California Press, 1967), p. 10.

²Quotation from Deconcentration Law as presented in Appendix 5 of Bisson, Zaibatsu Dissolution in Japan, pp. 262-268.

³Hadley, Antitrust in Japan, p. 390.

room left for the return of corporate leaders (although the majority . . . did not express a desire to come back); second, a series of sweeping changes in the corporate environment after the war made the knowhow of former executives critically obsolete (e.g., they were totally inexperienced in dealing with labor unions).¹

Top level executives of the postwar era were younger.

"In the 1951-52 period, the president or chairman of the board was of an average age of 51.8 years; at war's end, 60.2 years."² Forced dissolution of the holding companies and/or liquidation of the stock of holding companies which were not dissolved had the effect of decentralizing the corporate power structure. Under these laws, stock ownership no longer is a prerequisite to positions of management and the number of persons owning stock had increased dramatically.³ In general, it can be stated that the net effect of these laws "resulted in a decline in the role of government (with regard to stock), and it unintentionally produced a great increase in the role of financial institutions."⁴ Today, Japanese concerns have a capital structure which is on the average comprised of 75 percent debt capital and 25 percent equity capital. One authority

¹Ryutaro Komiya, ed., Postwar Economic Growth in Japan (Berkeley: University of California Press, 1966), pp. 234-235.

²Hadley, Antitrust in Japan, p. 104.

³Ibid., p. 194.

⁴Ibid., p. 193.

places the debt-equity ratio at 80-20.¹ This approach to capital financing was brought about by Japanese tax laws which allow corporations to deduct interest on bank borrowed capital as an expense, whereas the money paid as stock dividends is taxable, although, in fact, it is also an expense to the company. As a result, banks serve as the keystone to present day conglomerates which typically have working control of 20 to 30 major companies.²

The government encourages this type of operation by supplying funds through the central bank, the Bank of Japan.³ The economy has benefited from this system which gives ultimate control to the banks by virtue of the objective capital allocation process in which the banks allocate private capital and the government "advises" the banks on major capital programs which effect foreign trade.⁴

Reorientation of American Policy

The evolution of the "Cold War" which became a reality by 1948 contributed in a large measure to a dramatic change in policy which contributed to the recovery of the

¹Robert J. Ballon, "Understanding the Japanese," Business Horizons, Indiana University Graduate School of Business, Vol. XIII, No. 3, June 1970, p. 23.

²John C. Lobb, "'Japan, Inc.'--The Total Conglomerate," Columbia Journal of World Business, Vol. VI, No. 2, March-April, 1971, p. 41.

³Ibid., p. 41. ⁴Ibid., p. 44.

economy.

The Draper-Johnson Mission was sent to Japan and Korea to investigate the broad economic problems of inflation and industrial stagnation. On April 26, 1948, this committee (known as the "Johnson Committee") recommended that steps be taken to curtail war reparations and to increase foreign aid in the form of dollars so that Japan could have "the initial imported materials required to augment production quickly."¹

Subsequently, the SCAP reduced pressure on the Japanese government with regard to economic reforms and placed a new emphasis on rehabilitation of industry. In 1948, the Japanese government was authorized to use the proceeds from the disposition of items imported under the U.S. aid program to repair and modernize her industry. Food, fertilizer, and industrial raw materials grants increased from \$194,000 in 1946 to \$534,000 in 1949.²

Another factor which contributed to the recovery of the economy was the implementation of the Nine Principles for the Stabilization of the Economy.³ These

¹"Report on the Economic Position and Prospects of Japan and Korea and the Measures Required to Improve Them," Extracted from Bisson, Zaibatsu Dissolution in Japan, p. 143.

²Hadley, Antitrust in Japan, pp. 133 and 144.

³"Japan's Postwar Economy," Ministry of Foreign Affairs, Tokyo, 1970, p. 1.

principles, which were known as the Dodge Line,¹ were introduced by SCAP to curb inflation and thereby pave the way for Japan's reemergence as a major world trading nation. Through the mechanisms of balancing the national budget, retirement of debt, discontinuance of government lending, and reduction of subsidies, these actions proved effective and postwar inflation was rapidly brought under control.

In April of 1949, the single exchange rate was established which pegged the yen to the U.S. dollar at a ratio of 360 to 1.

In June of 1950, the Korean War broke out and the economy moved into a period of boom. Japan enjoyed a windfall of about \$2.2 billion from 1951 to 1953 in a form of special procurements by the United Nations Forces.² These funds provided the income necessary to procure capital equipment which helped narrow the gap in technology between Japan and the West. Table 2 shows the magnitude of industrial production changes between 1934 and 1952, the year occupation ended and aid from the U.S. ceased.

Post Korean War Economic Recovery

When the Peace Treaty with Japan came into force in 1952, the country had begun a period of sustained economic growth. When the Korean War ended in the summer of 1953,

¹Named after Joseph Dodge, Economic Advisor to SCAP.

²"Japan's Postwar Economy," Ministry of Foreign Affairs, Tokyo, 1970, p. 2.

INDEX NUMBERS OF INDUSTRIAL PRODUCTION
(Weighted by value added, 1960=100)

	General	Gas and Electri- city	Mining and Manufacturing						
			Mining	Manu.	of which:				Food & Kindred Products
					Iron & Steel	Mach.	Chem.	Textiles	
1934	27.0	20.1	28.2	26.4	16.6	9.4	18.9	65.8	57.5
1935	28.7	22.4	29.9	27.9	19.5	9.5	22.9	70.0	57.5
1936	32.3	24.4	33.7	31.5	21.9	11.4	27.0	74.9	58.8
1937	37.7	26.7	39.5	37.2	25.3	15.3	31.0	85.3	64.3
1938	39.0	29.1	40.7	38.2	29.0	16.8	35.4	70.4	65.2
1939	43.0	30.4	45.0	42.4	31.9	20.6	37.9	70.4	66.8
1940	44.9	31.2	47.1	44.3	32.4	25.0	37.3	63.7	58.0
1941	46.5	34.2	48.6	45.8	33.4	28.8	37.3	51.5	50.2
1942	45.3	34.3	47.2	44.5	35.3	29.9	31.1	40.7	44.6
1943	45.8	34.8	47.8	45.0	39.5	32.8	27.0	26.7	37.0
1944	46.5	33.9	48.6	46.2	36.9	38.6	24.8	14.2	30.5
1945	20.5	20.1	21.0	19.6	13.1	16.4	10.3	5.5	20.3
1946	9.1	26.0	8.5	7.4	4.3	5.0	6.0	9.1	17.8
1947	11.3	29.3	10.6	9.2	5.7	6.0	8.3	12.2	16.1
1948	14.7	31.9	14.0	12.3	9.5	9.2	10.9	13.9	19.7
1949	19.0	36.3	18.2	16.3	16.3	11.5	15.2	18.5	30.0
1950	23.0	38.8	22.3	20.4	22.9	11.9	20.8	26.4	33.5
1951	31.4	41.6	30.8	28.8	30.9	19.2	27.5	37.4	42.8
1952	33.7	44.7	33.0	31.1	31.4	19.7	30.5	42.5	44.0

Source: Ministry of Foreign Affairs, Statistical Survey of Economy of Japan 1966,
p. 19.

war associated procurements ended but this source of money was offset by foreign capital investments.¹

In September of 1953, the Japanese Diet passed an amendment to the antimonopoly law which reversed its stance against large corporations and provided for legalized cartels, relaxed stock holding regulations, redefined unfair business competition, and eliminated articles 5 and 8 which prohibited monopolistic organizations and substantial disparity in bargaining powers.²

By 1955 Japan reached its prewar economic level and then began a sustained rate of economic growth which has been unparalleled in the history of the modern world. (See Chart 2.) By 1971 its gross national product exceeded 200 billion³ and is third in the world.

Major Factors Sustaining High Growth Performance

There are many reasons which can be cited to explain Japan's past and projected economic growth. Herman Kahn has concluded that among the more important contributing factors are the following:⁴

¹Ibid., p. 3.

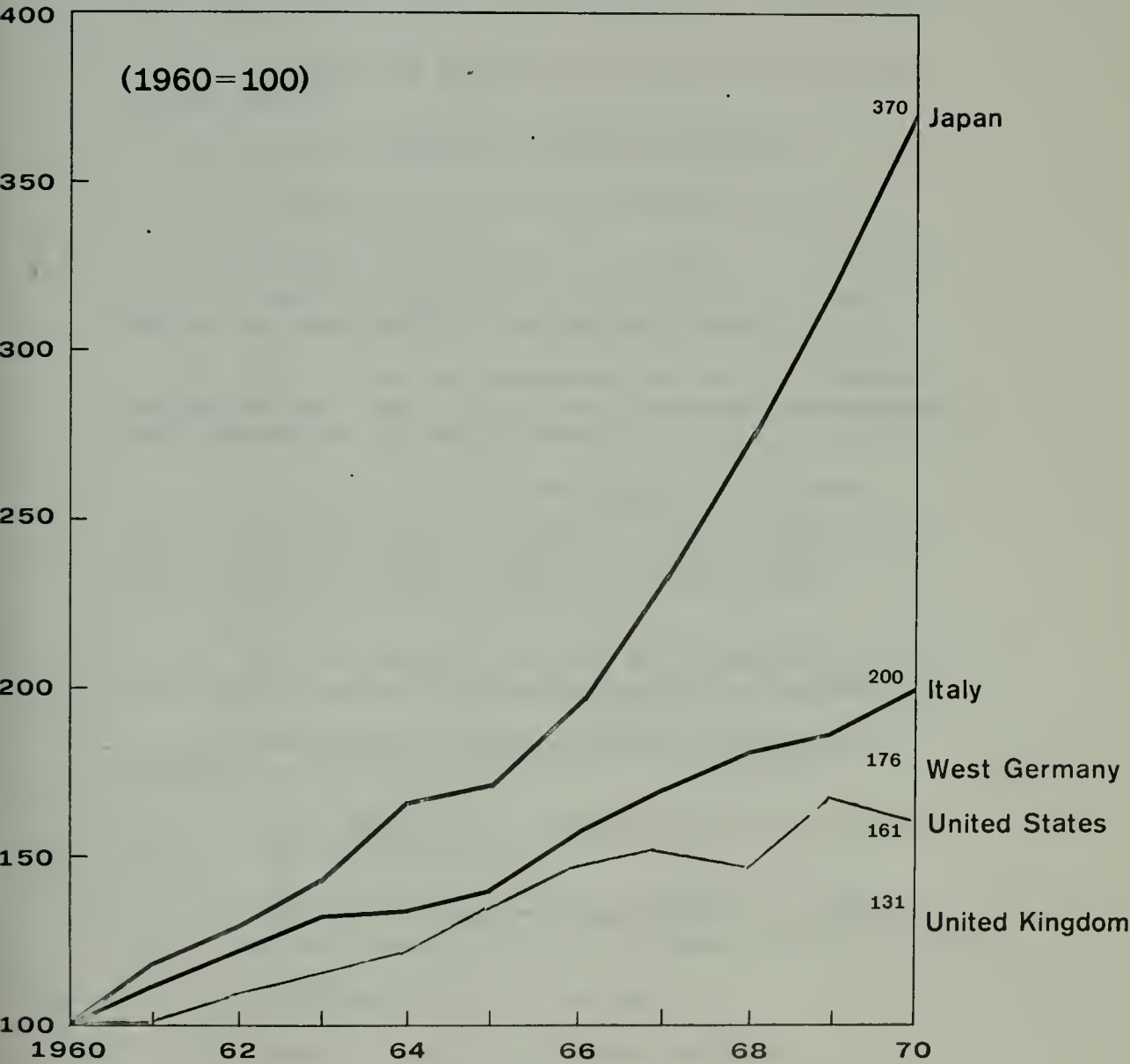
²Yamamura, Economic Policy in Postwar Japan, pp. 56-57.

³"Japan: Adjusting to the Nixon Shock," Time, October 4, 1971, p. 34.

⁴Kahn, The Emerging Japanese Superstate, pp. 76, 101-102.

CHART 2

Industrial Production Index



Source: The United States in the Changing World Economy
(Peterson Report).

1. A great deal of available energy and dedication and the general Japanese capacity for purposive, communal action.
2. Stringent population limitation.
3. Appropriate and available organizational skills, judgment and motivation--both governmental and private.
4. Relatively high technological and educational levels.
5. High savings and investment rate.
6. Japanese version of free enterprise.
7. Skillful governmental direction and intervention (and a reasonably cooperative and sensible policy on the part of the United States).
8. All kinds of pressures to attain "higher market shores" and to go into advanced technology and industries of the future.
9. Ruthless refusal to support--or even actively "sabotage"--"obsolete" or "not for Japanese" business; equally ruthless support and protection of modern growth industries and advantageous export industries.
10. Willingness to switch to "economic growth as a major tactic in catching up with the West."
11. Desirable and inexpensive work force readily available.
12. High savings and investment rates (about twice those of the U.S.).
13. Superior education and training (American quantity and European quality through high schools).
14. "Adequate Capitalization."
15. Readily available "risk capital."
16. Technological capabilities competitive with those of the West.
17. Economically and patriotically advancement-

oriented, achievement-oriented, work-oriented, deferred-gratification, loyal, enthusiastic employees (probably increasingly so).

18. High morale and commitment to economic growth and to surpassing the West--by government, by management, by labor, and by the general public.

19. Willingness to make necessary adjustment and/or sacrifices.

20. Excellent management of the economy--by government, by business, and to some degree, by labor; this results in a controlled and to some degree collectivist ("Japan, Inc.") economy, but still competitive and market-oriented (but not market-dominated) capitalism.

21. Adequate access--on good and perhaps improving terms--to most world resources and markets.

22. Almost all future technological and economic, and most cultural and political, developments favorable to continuation of the above.

23. Relatively few and/or weak pressures to divert major resources to "low economic productivity" uses. [Emphasis supplied.]

These factors conform to the three basic elements which various authorities generally agree serve to explain in a large measure Japan's phenomenal economic growth since the end of the occupation.

Capitalistic Orientation

First, the high response of the Japanese people to a market-oriented, capitalistic economy, which Kahn places first and foremost, stating

. . . the general capacity for purposive communal action which, when it was finally reactivated and focused on the problem of recovery performed with

its usual skill and dynamism.¹

The national goal of reducing birth rates was supported by management, trade unions, and government and is cited as an example of social and communal solidarity.² In this endeavor the birth rate has been reduced from 34 per 1000 in 1947 to the present level of 20 per 1000.³

Government Initiative

The second element is the active role of the government in developing economic plans which exert a large influence upon the behavior of private business.⁴ To this end low interest rates have been established to encourage businesses to invest in modern technology and high productive machinery. The people utilize the facilities of more than 20,000 post offices to save a significant portion of their earnings (the Japanese propensity for saving is more than twice that of other major industrial countries, viz, 20 percent versus 6-13 percent).⁵ Government taxation

¹Ibid., p. 77.

²Toshinobo Kato, "Family Planning in Industry: The Japanese Experience," International Labor Review, Vol. 104, No. 3, September 1971, pp. 161-179.

³Kahn, The Emerging Japanese Superstate, p. 77.

⁴"Japan's Postwar Economy," Ministry of Foreign Affairs, p. 5.

⁵Ibid., p. 6.

measures provide for special depreciation allowances in addition to those considered normal in the West. The effective tax rate for corporate business is approximately 40 percent which is one of the lowest among major countries in the world.¹

As a result of government influence and individual thrift, the country has a high capital reinvestment rate of 39 percent of GNP in contrast to 18 percent for the United States. In addition, the individual savings rate as a percent of personal income is 20 percent, almost three times that of the American worker.²

The ability of the Japanese to assimilate and efficiently utilize massive amounts of Western technology and managerial expertise is the third major elements which accounts for that nation's growth. This appreciation of technology is not new. Hitler termed the Japanese "honorary Aryans" and considered them "Europeans in disguise" due to their propensity for modern technology.³ Japanese management has procured large numbers of patents outright through licensing arrangements and foreign technical agreements. Japan has found it cheaper to buy technology from the West

¹Ibid., p. 5.

²Peter G. Peterson, The United States in the Changing World Economy (Washington, D.C.: Government Printing Office, 1971), p. 58.

³Peter Drucker, Technology, Management and Society (New York: Harper and Row, 1970), p. 75.

rather than to develop the technology internally. During the past ten years, that nation has paid out \$3.4 billion for access to foreign technology. Japanese royalty and management payments increased to \$650 million in 1970, and more than half of that was paid to the United States.¹ In 1971 the Japanese productivity growth rate had climbed to 10.6 percent due primarily to new technology. By contrast, the U.S. rate of productivity growth had decreased from its postwar average of 2.6 percent to just 1.7 percent.²

As a complement to the inflow of technology, the Japanese have developed an educational system which graduates more engineers than the U.S.³ and which has produced the most literate population in the world.⁴ By 1980 the government of Japan expects to spend \$13 billion on incentives and subsidies for research and development.

The Japanese government has adopted a policy of fostering research and development through various forms of assistance such as partial exemption from income tax, special depreciation and import controls.⁵ Thus, research and

¹Peterson, The United States in the Changing World Economy, p. 65.

²"Making U.S. Technology More Competitive," Business Week, January 15, 1972, p. 46.

³Ibid., p. 62.

⁴Lobb, "'Japan, Inc.'--The Total Conglomerate," p. 42.

⁵Ken Bieda, The Structure and Operation of the Japanese Economy (Sydney: John Wiley and Sons, 1970), p. 50.

development has contributed in a large measure to that nation's preeminence in such industries as shipbuilding, computers, steel, commercial motor vehicles, cameras, and televisions.¹

Worker Motivation

Although hard to quantify, an important factor of Japan's economic strength and growth is the vigor and work spirit displayed by Japan's efficient and flexible work force. These intangible qualities are, in a large measure, attributable to worker motivation and an organizational approach by both labor and management which stimulates economic growth.² Western visitors to factories and plants in Japan are generally impressed by the workers' "willingness to work," "discipline," "finishing up the work," etc.³ These motivational factors occur in a work setting (Sony's Atsugai, Japan Plant) which is traditionally considered most suited to incentive type wages. However, workers prefer the seniority pay system and refute the idea of remuneration based upon productivity. A typical response to a question concerning the fairness of the present system is "It's better that way, because everybody is working hard,

¹Kahn, The Emerging Japanese Superstate, p. 209.

²Peterson, The United States in the Changing World Economy, p. 60.

³Ibid., p. 62.

anyhow."¹

This approach to wages recognizes the fact that inadequate wages can only bring dissatisfaction and the real reward, satisfaction, to Japanese workers comes from the fact that he believes he has contributed to the group and company by "doing his best." This is in keeping with the research conducted by Dr. Herzberg concerning worker motivation.²

Japanese managers recognize the importance of employee motivation and strive to enhance the workers self-respect by taking measures which enable the workers at all levels to assume responsibility. One large firm (Sony) has done this by abolishing controls over leave periods, removing time clocks and using the honor system in the employees' cafeteria.³

A significant postwar achievement of Japanese management has been the adoption of a nationwide concern for quality and craftsmanship in manufactured products. Management has developed a widespread concept by which quality control is the responsibility of the total organization with the onus for quality resting with the production workers rather than quality assurance specialists.⁴ Mr. Nishibori,

¹Shigeru Kobayashi, Creative Management (New York: American Management Association, 1971), p. 220.

²Frederick Herzberg, Work and the Nature of Man (Cleveland: World Publishing Company, 1966), p. 134.

³Kobayashi, Creative Management, p. 235.

⁴Sidney P. Rubenstein, "New Management Concepts from Japan," Paperboard Packaging, January, 1970, p. 44.

a pioneer of the postwar quality control movement in Japan, explains the position of Japanese management regarding quality control:

Manufacturing an article, whether it is made with a machine or by hand, is to incorporate quality into it, from the original viewpoint of quality control. It is workers, not the foreman or team head, who are making things. It is quite natural that the workers should check the quality incorporated by his own effort into the product.¹

The Japanese approach to quality control goes hand-in-glove with the Herzberg approach to "job enrichment" and affords all employees, regardless of position in the organization, the opportunity to participate by way of some meaningful contribution which increases the employee's psychological growth.²

Environmental Factors

There are numerous international, political, and economic conditions which have complemented the nationalistic reasons previously listed which help explain this rapid rate of economic growth. These include:³

1. A small portion of GNP allocated to defense (less than 1 percent).
2. Stimulus of the Korean and Viet Nam Wars.

¹Ibid.

²Frederick Herzberg, "One More Time: How Do You Motivate Employees?," Harvard Business Review, Vol. 46, No. 1, January-February, 1968, p. 58.

³Kahn, The Emerging Japanese Superstate, p. 208.

3. Influx of American capital.
4. U.S. a prosperous and avid customer (see Chart 3).
5. Technology available at bargain rates from the U.S. and Europe.
6. General atmosphere of free trade.
7. Large discovery in Australia and elsewhere of new mineral deposits.
8. Developments in ocean transport.

From this short review of the Post World War II political and economic scene, it is apparent that Japan has neither subscribed to nor adopted the "Invisible Hand" principle espoused by Adam Smith whereby any interference with free enterprise by government was almost certain to be injurious.¹ The Japanese government is involved in many aspects of economic decision making. For example, the Ministry of International Trade and Industry, in conjunction with the Bank of Japan, plans the business strategy of Japanese industry in world markets.² Table 3 shows that 11 percent of Japan's GNP is destined for foreign consumption. Of this amount, 30 percent is imported by the U.S.³ The planning process is not centralized to the extent found in Eastern European countries and the Soviet Union. In

¹Paul A. Samuelson, Economics: An Introductory Analysis (New York: McGraw Hill Book Co, 1967), p. 41.

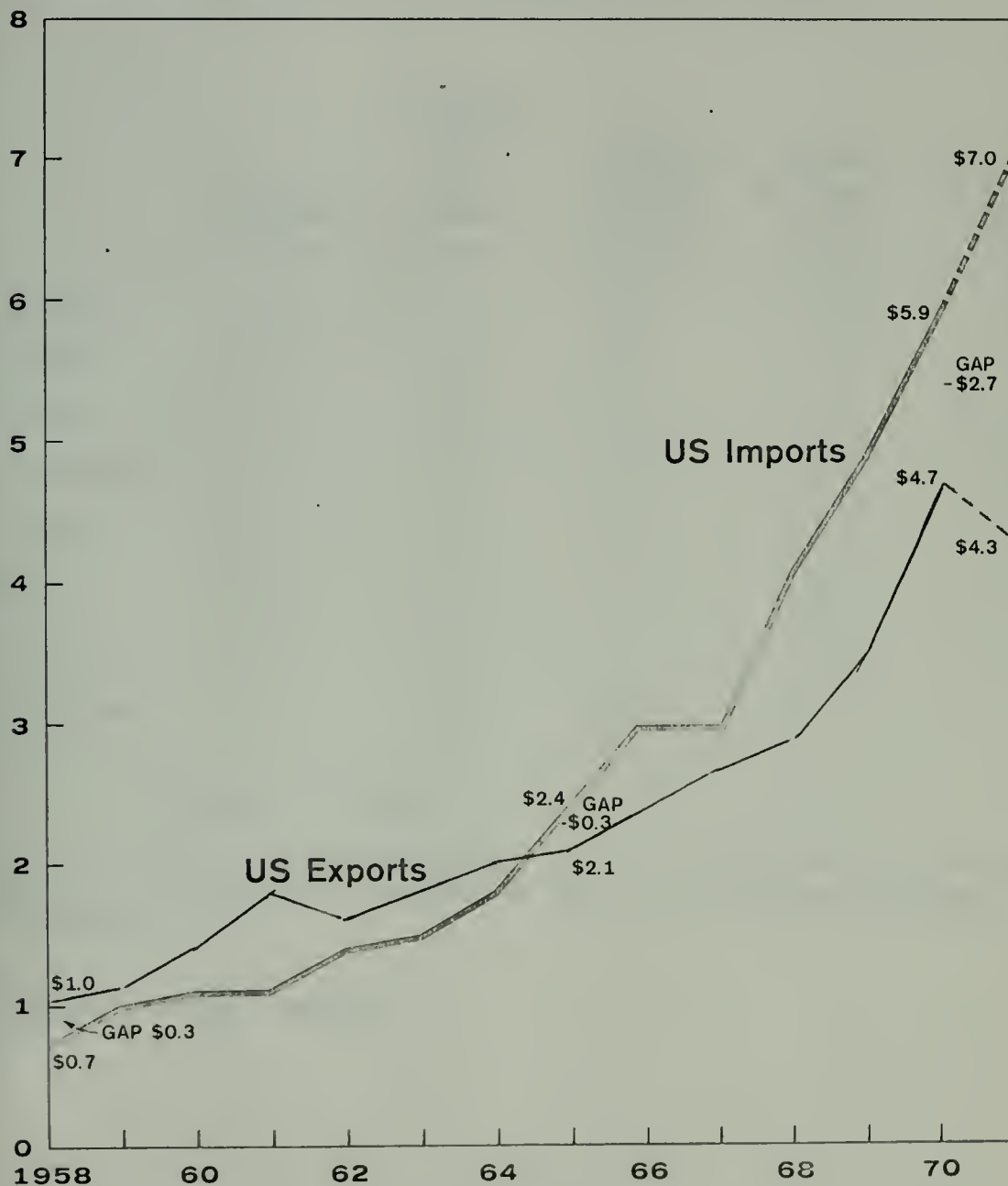
²Lobb, "'Japan, Inc.'--The Total Conglomerate," p. 41.

³Peterson, The United States in the Changing World Economy, Chart 34.

CHART 3

US Trade with Japan

Billion US \$



Source: The United States in the Changing World Economy
(Peterson Report).

TABLE 3

EXPENDITURE ON GROSS NATIONAL PRODUCT
(1969, %)

	<u>Private consump- tion</u>	<u>General govern- ment current expendi- ture</u>	<u>Gross domestic fixed capital formation</u>	<u>Exports of goods and services</u>	<u>Imports of goods and services</u>
<u>Japan</u>	<u>51.0</u>	<u>8.2</u>	<u>35.2</u>	<u>11.0</u>	<u>9.3</u>
Canada ¹	60.9	15.3	23.3	24.3	23.1
France	60.4	12.3	25.4	14.5	15.2
W. Germany	55.4	15.6	24.3	22.5	19.9
Italy	63.4	13.4	20.5	18.9	17.3
U.K.	62.3	17.9	17.3	21.1	20.7
U.S.A.	61.2	20.9	16.7	5.0	5.3
U.S.S.R. ²	63.5	8.1	15.2	-	-

¹Figures for 1968.²Net material product: col. 1, individual consumption; col. 2, collective consumption; col. 3, net fixed capital formation.Source: United Nations

contrast, the plans of the Japan Economic Planning Agency are prepared in consultation with experts from industry. While these plans lack legal sanction, they do play a major role in the operation of private business.¹

Since the end of World War II, a close working relationship between management, labor, and government has evolved within which the marshaling of that nation's manpower, technology, and capital to stimulate economic growth has been successfully achieved. This system, dubbed by some authorities as "Japan, Inc."² has associated with it unique managerial concepts and practices which have been examined for possible application in other cultural settings.

¹Peterson, The United States in the Changing World Economy, p. 58.

²Lobb, "'Japan, Inc.'--The Total Conglomerate," p. 39.

CHAPTER III

JAPANESE MANAGEMENT CONCEPTS AND PRACTICES

Introduction

Many observers are impressed by recent advances of Japan's industrial system. It should be pointed out that these advances rest upon a foundation of economic development which has paralleled that of the West for much of the last century. However, the industrial system is deeply rooted in a bedrock of cultural heritage.

Japanese management practices are influenced by that nation's homogenous background and culture which include a deep respect for authority, hard work and group cohesiveness. These sociocultural factors foster a spirit of cooperation between management, labor, and government. After hundreds of years of evolution, this industrialized nation retains from her Confucian past a vertically structured pattern of social ideology.

Tadayoski Yamada, a management consultant for the Yawata Iron and Steel Co., Ltd., in reflecting on the origin of the tradition of mutual social responsibility, has observed:

Traditionally, human relations in Japan have been governed by a patriarchal system which binds parent to child by parental self-sacrifice and filial piety master to dependent by life-long ties of responsibility for the welfare of the dependent and fealty devotion to the master and which fosters respect for seniority of any kind--including age, social status, experience and conservative ideas.¹

The influence of paternalism has permeated all levels of Japan's corporate structure. One inquiry into the views of Japanese managers revealed that almost 75 percent of the top managers considered their employees as their collaborators, 20 percent considered employee welfare as part of the firm's responsibility, and only three percent regarded employees as suppliers of labor on a contractual basis.² This ideology of management helps explain the following business management practices which are unique to Japan.

Employment Patterns

When an individual becomes employed he enters into a type of informal contract. His association is normally permanent and he is expected to remain with the company, government agency or university until retirement age (55), and his salary is based on age and tenure of service.³

¹Tadayoski Yamada, "Japanese Management Practices," The Conference Board Record, November 1969, p. 22.

²Yoshitaka Uchiki, et al., "Ideology and Action of Japanese Top-Management," Monthly Report of the Japan Economic Research Centre, September 1965, pp. 90-91.

³Massaki Imai, "Shukko, Jomukai, Ringi--The Ingredients of Executive Selection in Japan," Personnel,

This practice did not evolve until the depression following World War I which forced Japanese businessmen to modernize their organizations and upgrade the quality of employees. Companies hired young workers who had just left school and gave them training. As a result of these training programs employees developed a loyalty to their companies. A form of psychological contract between employee and employer began to be formulated, based upon the traditional doctrine of loyalty and hard work in exchange for job security. The destruction of Japanese industry during World War II brought about a chaotic situation which meant that discharging an employee was tantamount to a curse of perpetual unemployment. Labor unions focused on protecting employment to such an extent that a norm evolved through which companies were forced to give up the right to dismiss their permanent employees.¹

This "lifetime" employment concept interfaces well with a national characteristic called amaeru which is defined as a "longing to be looked after and protected."² This trait leads young workers to develop a feeling of dependency on their employers, and they associate their fate with that

Vol. 46, No. 4, July-August, 1969, p. 20.

¹Akio Morita, "Tradition Adapts to a Competitive Labor Market," Columbia Journal of World Business, Vol. III, No. 4, July-August, 1968, pp. 51-52.

²Howard F. Van Zandt, "How to Negotiate in Japan," Harvard Business Review, November-December 1970, p. 47.

of their employer, who acts in loco parentis.¹ This close worker identification with the firm is illustrated in Table 4. The Japanese rate their company's success higher in importance than do workers in other nations.² Workers have a strong feeling of common interest with their employers and tend to be satisfied with wage increases below the level that would be detrimental to their firm's competitive capacity. This helps explain why the rate of productivity growth in organized industries has generally exceeded that of union wages.³ The seniority system of pay has provided for a doubling of a worker's wages about every 15 years, regardless of the type of job.⁴ Frequently, wages and salaries are different for the same job depending on the employee's age. Each year a pay raise is made to workers based upon longevity.⁵ Workers exhibit an almost fanatical

¹James G. Abegglen, The Japanese Factory (Glencoe, Ill.: The Free Press, 1953), p. 73.

²David Sirota and J. Michael Greenwood, "Understand Your Overseas Work Force," Harvard Business Review, January-February 1971, p. 59.

³Taishiro Shirai, "Prices and Wages in Japan: Towards an Anti-Inflationary Policy," International Labor Review, Vol. 103, No. 3, March 1971, p. 238.

⁴Peter F. Drucker, "What We Can Learn From Japanese Management," Harvard Business Review, March-April 1971, p. 113.

⁵Morita, "Tradition Adapts to a Competitive Labor Market," p. 52.

TABLE 4

IDENTIFICATION WITH ORGANIZATION

	United States (%)	Japan (%)
I think of my company as:		
1. the central concern in my life and of greater importance than my personal life;	1	9
2. a part of my life at least equal in importance to my personal life;	23	57
3. a place for me to work with management, during working hours, to accomplish mutual goals;	54	26
4. strictly a place to work, and entirely separate from my personal life.	23	6

Source: Whitehill and Takezawa, "Cultural Values and Employee Attitudes," Journal of Applied Psychology, Vol. 48, No. 1 (1964), pp. 69-72.

devotion to their employer, i.e., at one of Japan's largest companies, Matsushita Electric, every day begins with the singing of the company hymn which espouses greater glory to the firm and nation rather than individual advancement.¹

It has been observed that the ubiquitous emphasis on productivity and work harmony contribute to heavy psychological pressures on some Japanese workers. Cultural norms require the average employee to cultivate complex and formally polite relationships within the firm. In one large corporation 23.6 percent of employee absenteeism was attributed to stomach ailments.² The psychologists of Matsushita have linked stomach disorders to nervous tension, possibly occurring at the work place. To combat this the firm has constructed an elaborate "self-control room" complete with life-sized padded dummies, surrogate employers or fellow employees, which an employee can batter and punch in order to harmlessly work off his frustrations and tension. Management considers the use of the "self-control room" to be an effective form of therapy which pays off in the form of higher morale and efficiency.³

It is significant to note that Matsushita has recently begun to rationalize its employment practices and

¹Lobb, "'Japan, Inc.'--The Total Conglomerate."

²"Therapy By Dummies," Time Magazine, October 18, 1971, p. 40.

³Ibid., p. 39.

has devised a system that bases wages and promotion on ability and experience. It is estimated that the transition to productivity and merit, if successful, will take ten years.¹

The intense loyalty engendered within the paternalistic employment structure in which management gives workers advice, counsel, and liberal fringe benefits, is further illustrated by Kazue Kitagawa in an October 31, 1969, address to the Third International Convention on Work Factor, Tokyo, entitled: "A View of Modern Management in Japan."

In the event that the very existence of a company becomes threatened, the employees, as a body, will strive with their utmost efforts to reconstruct the company, even if that should require a reduction in the salaries of all members, rather than move as individuals to other companies.

The term "lifetime employment" as it applies to the Japanese labor market does not mean that all workers have a permanent job for life. Most employees do have a guaranteed job once they are on the payroll which affords them complete job security. There are no temporary lay-offs due to lack of work and only in the event of the most severe economic crisis, i.e., bankruptcy of the employer, will the worker lose his job.² The "lifetime employment" picture is

¹"Japanese Head for a Bout With Inflation," Business Week, December 6, 1969, p. 68.

²Abegglen, The Japanese Factory, p. 13.

qualified by Drucker:

(1) Women are almost always placed in a "temporary" worker status; and as such are exempted from the benefits of tenure.

(2) The "traditional" Japanese businesses which are labor intensive in nature such as workshop industries producing lacquer, silk and pottery have per hour wages and are not considered permanent in nature.

(3) Approximately 20 percent of the workers in modern industries are considered "temporary" for many years.¹

Another source reveals that Japanese managers utilize sub-contractors extensively as an adjustment value in period of employment variance. (See Table 5.)

A recent survey places 50 percent of the non-agricultural labor force in the category of a "permanent worker."² The official retirement age is 55 for all employees (one report indicates that the age is being advanced to 60 due to the shortage of labor), except for those appointed to the board of directors who are not expected to retire at any age. However, the act of "retiring" is normally a token event characterized by a change in status from "permanent" to "temporary." With this change in status, the worker traditionally receives a

¹Drucker, What We Can Learn From Japanese Management," pp. 113-114.

²Margaret K. Chandler, "Management Rights: Made in Japan," Columbia Journal of World Business, Vol. 1, No. 1 Winter 1966, p. 132.

³"A Shortage of Workers Changes Japan," Business Week, January 31, 1970, p. 71.

PERCENTAGE OF SUBCONTRACTORS IN MEDIUM AND SMALL ENTERPRISES¹
IN JAPANESE MANUFACTURING BY INDUSTRY

(As of 31 December 1966)

Industry	Sub- contractors for a single parent company	Sub- contractors for more than one parent company	Sub- contractors also doing non-sub- contract business	Non-sub- contractors	Total
All manufacturing	24.2	18.8	10.6	46.4	100.0
1. Food and allied products ...	9.4	4.5	3.5	82.6	100.0
2. Textiles	50.6	22.1	6.8	20.4	100.0
3. Apparel and allied products	42.0	21.0	6.6	30.3	100.0
4. Lumber and wood products ...	18.4	14.1	7.3	60.2	100.0
5. Furniture and fixtures	11.7	15.4	17.8	55.1	100.0
6. Paper and allied products ..	23.7	14.9	20.7	40.6	100.0
7. Publishing, printing and allied industries	9.6	17.7	14.3	58.5	100.0
8. Chemicals and allied pro- ducts	15.1	13.5	4.1	67.3	100.0
9. Petroleum and coal products	5.0	1.9	4.1	89.0	100.0
10. Rubber products	38.2	20.2	9.9	31.7	100.0
11. Leather and leather products	32.6	19.7	7.9	39.9	100.0
12. Ceramic, stone and clay products	13.5	9.8	9.4	67.4	100.0
13. Iron and steel	15.7	35.1	15.1	34.1	100.0
14. Non-ferrous metals and products	13.0	22.5	15.5	49.0	100.0

TABLE 5--Continued

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Industry	Sub- contractors for a single parent company	Sub- contractors for more than one parent company	Sub- contractors also doing non-sub- contract business	Non- contractors	Total
15. Fabricated metal products ..	20.1	33.4	17.7	28.8	100.0
16. Machinery (excluding electrical)	26.1	26.9	18.1	28.4	100.0
17. Electrical machinery	28.9	34.3	14.4	22.5	100.0
18. Transport equipment	27.7	32.0	9.6	30.7	100.0
19. Precision instruments	25.0	27.8	10.1	37.1	100.0
20. Others	27.7	14.4	10.6	47.1	100.0

¹Employing fewer than 300 workers.

Source: International Labor Review, Vol. 102, No. 6, December 1970, p. 552.

severance bonus equal to approximately two years pay and a new wage equal to two thirds of his former remuneration. He can now be laid off if there is a reduction in work. However, the Japanese accept this possibility, as by the time an employee reverts to a "temporary" worker he normally has neither children nor parents to support. This reduction in family responsibilities coupled with the security of his severance bonus and personal savings gives the worker the ability to weather a reasonable period of unemployment without welfare.¹ Unemployment benefits averaging 67 percent of the former wage lasts up to 270 days for those who have been insured for ten years and up to 300 days for those who have been covered for more than 20 years. This variance is due to the fact that middle aged or elderly job hunters find employment in a new job comparatively difficult.²

Japanese management assumes a responsibility of considerable magnitude by providing "lifetime employment" to all personnel they recruit. Occasionally, errors are made in the employment selection process of both worker (Koin) and management (Shokuin) groups. In the case of the Koin who does not adapt to the work situation, he is not

¹Drucker, "What We Can Learn From Japanese Management," p. 114.

²"Current Information," International Labor Review, Vol. 102, No. 5, November 1970, pp. 509-510.

fired but shifted to a routine and harmless position. Management handles the incompetent or inadequate Shokuin in an ingenious manner by devising a number of elaborate positions and titles for such individuals. Abegglen states:

. . . a man who enters the company from college can not be demoted or fired. It is necessary to find a niche for a man of insufficient capacity where he can perform minor functions without too greatly harming the over-all effectiveness of the plant without damaging the prestige of the individual.¹

This system of "lifetime" employment permits Japanese companies to lay off a larger portion of their work force than most Western companies are likely or able to do.² The flexibility afforded by this ingenious approach meets management needs for a flexible labor force and protects the income of those who need incomes the most.³ The burden of adjustment is shouldered by those who can afford to be laid off and have alternative sources of income. This approach provides the worker with economic and job security which engenders a psychological security. This benefits management with a highly productive work force free from fear.⁴

¹Abegglen, The Japanese Factory, p. 87.

²Drucker, "What We Can Learn From Japanese Management," p. 115.

³Ibid.

⁴Ibid.

Continuous Training

In Japan people are hired first, and then positions are provided for them. Workers employed by a larger firm are afforded the opportunity to develop themselves through job and/or geographical rotation. The underlying reason is to gain broad experience and knowledge of the company's overall operation. By changing jobs the company identifies the most suitable job for the person and the one for which he would be most effective for the company.¹

Increased performance is the goal of all Japanese training programs. Employees at all levels are expected to keep on training as part of their regular jobs. The psychological conviction of job and income security help bring about a cheerful willingness to accept and implement newly learned changes in technology and work processes. Employees generally regard increasing productivity as good for all.² The Japanese see nothing miraculous about everyone working hard to improve production. Remarks by a worker at the Yokohama Shipyard of Ishikawajima-Harima Heavy Industries (IHI), Japan's largest shipbuilder, are considered typical:

We are not hostile towards management. Managers are employees, too. We're not selling our labor to

¹Morita, "Tradition Adapts to a Competitive Labor Market," p. 53.

²"Management and Labor: 'Same Team,'" U.S. News and World Report, 4 October 1971, p. 56.

them. We're all on the same team and must cooperate for the good of our company."

Eighty percent of the 300-odd suggestions generated by workers each month at IHI are adopted.¹

Japanese training is performance-focused. The employee is trained for all the jobs at his job level. To illustrate:

The man working as an electrician will automatically attend training sessions in every single area in the plant. And so will the man who pushes a broom. Both of them may stay in their respective jobs until they die or retire. Their pay is independent, in large measure, of the job they are doing, and is geared primarily to the length of service, so that the highly skilled electrician may well get far less money than the floor sweeper. But both are expected to be reasonably proficient in every job in the plant that is, generally speaking, at the same level as their own job.²

A professional worker is expected to be trained or to train himself in every professional job needed in his company. Correspondence courses, seminars, or continuation courses available in all industrial-urban centers are the vehicle to increased learning in such areas as accounting, personnel, training and purchasing. There are exceptions to this norm but only in such highly skilled vocations as paper making and department store buying. However, even those exempted from "continuous training" are expected to perfect themselves in their own specialty after equivalent

¹Ibid.

²Drucker, "What We Can Learn From Japanese Management," p. 116.

training in the United States would have ended.¹ The practice of continuous training based on systematic schooling rather than on craft skill and apprenticeship is possible because the worker has a "lifetime" job.² This gives management a versatile work force unencumbered with extreme specialization and departmentalization.

Traditionally, industrial work-training groups meet two or three times a week, sometimes on their own time, to learn how to do their jobs better. Workers take pride in improvements that they have initiated.³ At each meeting there is a "trainer" but the burden of training is on the participants. This creates a feeling of worker involvement, and resistance to new techniques or machines introduced during worker training sessions is minimal. These small groups often set goals for themselves in production and cost cutting.

Japanese management's loyalty to the work force is exemplified by the fact that not one employee lost his job when Yawata and Fuji Iron and Steel Companies merged to form Nippon Steel in March of 1970.⁴

¹Ibid.

²Peter F. Drucker, The Age of Discontinuity (New York: Harper and Row, 1969), p. 304.

³"Management and Labor: 'Same Team,'" p. 56.

⁴"The Giant Merger That Hurt Nobody," International Management, April 1971, p. 32.

An example of recent cost cutting endeavors by workers at the Tokai Mill of Nippon Steel, the world's largest steelmaker, illustrates the effectiveness of labor management teamwork:

This year Japanese steelmakers cut production more than 15 per cent when exports softened. It became essential to cut costs. Management at Tokai, accepting that wages and raw-material costs could not be lowered, concentrated on such things as raising ingot yields and decreasing the coking ratio. Goal for the first half of 1971: a \$4.17 reduction in the cost of making a ton of steel.

The target was met by joint labor-management efforts.¹ [Emphasis supplied.]

Machine for machine, the Japanese can produce more steel faster and at less cost than any other country in the world.² By virtue of continuous training, the Japanese learning curve breaks above the plateau which United States industrial engineers consider permanent. This has contributed to the Japanese position of leading the major industrialized nations in increases in productivity.³

Management Development

A large majority of aspiring executives enter a company directly from the university system, and large firms traditionally seek graduates of high prestige

¹"Management and Labor: 'Same Team,'" p. 56.

²"Japan Forges a Colossus in Steel," Business Week, April 5, 1969.

³"Forecasts: 1972," Business Week, January 1, 1972, p. 28.

universities.¹ Competitive entrance examinations are used by all universities which gives all high school graduates an equal opportunity and broadens the recruiting base for management. Graduates in law, commerce, economics, political science, and business administration are lumped together as a group from which nontechnical management trainees can be drawn.²

Company entrance exams are another selection tool which is preceded by an elaborate employment questionnaire which reveals the applicant's experience, academic record, family background, and the names of those whom they know in the company who are willing to sponsor them.³ Tokyo University, a government school, is widely recognized as the most prestigious. The following tabulation illustrates this point.⁴

ALMA MATER OF PROMINENT BUSINESS LEADERS

<u>University</u>	<u>Percentage</u>
Tokyo	40.6
Hito & Subashi	9.8
Keio	6.0

¹Abegglen, The Japanese Factory, p. 33.

²Shin-Ichi Takezawa, "Socio-Cultural Aspects of Management in Japan: Historical Development and New Challenges," International Labor Review, Vol. 94, No. 2, August 1966, p. 154.

³Ross A. Webber, Culture and Management (Homewood, Illinois: Richard D. Irwin, 1969), p. 433.

⁴Kahn, The Emerging Japanese Superstate, p. 66.

ALMA MATER OF PROMINENT BUSINESS LEADERS--
Continued

<u>University</u>	<u>Percentage</u>
Kyoto	5.3
Kobe	4.5
Waseda	3.0
Kyushu	1.5
Others	29.3

Another source which has evolved since World War II is the government agencies and bureaus where talented bureaucrats have been induced to leave their civil service tasks for positions of increased responsibility in private industry. This practice has become accepted to the extent that many Tokyo graduates now enter government administration fully expecting to later go into business.¹

Employers weigh heavily academic records with the prestige of the employee's alma mater in deciding his position and his salary.² Japan suffers from an acute shortage of managerial talents because of the unprecedented expansion of the business sector. Some Japanese firms are growing as rapidly as 10-30 percent a year.³ Whereas the firm is traditionally concerned with the prestige of the applicant's alma mater, the typical applicant, in selecting his "employer for life," carefully considers four criteria

¹Ibid., p. 65.

²Morita, "Tradition Adapts to a Competitive Labor Market," p. 53.

³Kahn, The Emerging Japanese Superstate, p. 68.

which have equal importance: (1) the company's future prospects; (2) the president's salary; (3) salary; and (4) contents of work.¹

A recent survey of Japanese executives indicates that more than 90 percent are graduates of universities and that three percent have been educated in a foreign country.² Among top management, approximately 80 percent have traveled abroad more than three times, and 40 percent have been on overseas assignments for more than three years.³ This exposure to Western business methods has left a pronounced mark in the technological arena. However, attempts to introduce scientific management, piecework systems, human relations, and other theories and practices, have been met with reservation.⁴ Japanese business leaders have been "highly selective, if not half-hearted" in initiating Western management techniques. The study of management in Western nations is not considered unimportant, but its impact on Japanese managers is far more pronounced in technical subjects rather than nontechnical.⁵

Most major firms maintain well-defined training

¹Imai, "Shukko, Jomukai, Ringi--The Ingredients of Executive Selection in Japan," p. 23.

²Ibid., p. 21.

³Ibid., p. 23.

⁴Abegglen, The Japanese Factory, p. 117.

⁵Takezawa, "Socio-Cultural Aspects of Management in Japan," p. 164.

programs for various echelons of management, and management associations offer short training courses which are considered a part of the "continuous training" philosophy. One unique course made possible through government and business cooperation is designed to give managers a better understanding of corporate hierarchial principles and team spirit. Since 1955, private enterprises have utilized the services of the Japanese military to develop managers and executive recruits. At present, 100,000 civilian employees undergo military training annually at Self Defense Force Installations throughout Japan.¹

Most top managers believe that on-the-job training is the best vehicle for executive development.² This is illustrated by a survey of top Japanese managers in which 66 percent agreed with the statement: "The only way to develop competent managers is to let them obtain plenty of experience in actual business situations."³ Hence, the development of management skills is intrinsically related to the company where it is developed and refined. This makes it more difficult for an executive to transfer his skill from one organization to another. This lack of universality

¹"Changing Employees Into Men Of Action," International Management, July 1971, pp. 38-39.

²Takezawa, "Socio-Cultural Aspects of Management in Japan," p. 155.

³Keizi Doyu Kai, Management Ideology and Business Activity (Tokyo, 1964), p. 77.

of managerial skill complements the practice of "lifelong employment" where changing companies is identified with personal failure. This prejudice against worker mobility is pervasive and strong.¹ However, the present shortage of labor has contributed in a large measure to a recent shift in attitudes of employees regarding the stigma attached to changing jobs. This trend in employee and employer attitudes has been noted during the past two years in the personal services industries viz. finance, large consumer retail merchandizers, and international trading.²

Top management in Japan recognizes the importance of managerial development and discharges this task through an informal network of senior middle-management people who act as "godfathers" to the young men during the first ten years of their careers in the company.³ This unique management development system hinges around members of the upper-middle management group who have been passed over at age 45 for the top management positions and who are destined for, at the most, one more promotion before mandatory retirement at age

¹Yoshi Tsorumi, "Myths That Misperlead U.S. Managers in Japan," Harvard Business Review, July-August, 1971, p. 120.

²Katsuhiro Fujiwara, Private interview conducted with the Chief Economist, United States-Japan Trade Council, Washington, D.C., February 1972.

³Drucker, "What We Can Learn From Japanese Management," p. 120.

55.¹ These middle level managers, chosen to be "godfathers," are free from pressures of internal politics and factionalism. Young executives and "godfathers" are traditionally graduates of the same university.² The "godfather" learns to know his "godchildren" and is available for advice and counsel. He serves as a guide and perhaps example to his proteges. Personnel officers seek out the opinion of the "godfather" before making assignments which involve promotion or transfers. The "godfather" is able to effectively counsel his junior managers unlike the first-line supervisor in American business. The latter frequently is reticent to discuss transfers of topnotch management trainees, although such action would have a net benefit to the firm. The "godfather" system is effective because it assures that some respected and successful member of management shows a special concern for the young managers and professional people. It enables the senior and junior executives to communicate even within the formal hierarchy of Japanese organizations.³

¹The rank-and-file worker is often permitted to remain with the company past 55 as a temporary worker. However, managers can at the most hope to be transferred to a subsidiary firm.

²Peter F. Drucker, Men, Ideas and Politics (New York: Harper and Row, 1971), p. 229.

³Drucker, "What We Can Learn From Japanese Management," pp. 121-122.

Decision by Consensus

Most decisions in Japan are made by the top executives and the role of the middle manager in the decision making process is not clearly definable. Over the years a defensive mechanism has been developed by these middle managers called Ringi. Literally translated, it means "decision making in writing in concert with superiors."¹

Risso and Ringi are used interchangeably to denote this Japanese process of "group-centered decision making." The initiating idea can come from anyone and often originates at the lower levels of management to be discussed endlessly at all levels of the management hierarchy. A thorough discussion of the issues by all who are effected evolves into a process of communication, accommodation, and education. The Japanese regard defining the question as the important element in decision making (American management concentrates on finding an answer). Emphasis is placed on: (1) deciding whether there is a need for a decision; and (2) what the decision is all about, not what the decision should be.²

The mechanics of the process are succinctly described by Howard F. Van Zandt:

Well over 90% of all large Japanese companies, and many small ones, follow a decision-making system

¹Imai, "Shukko, Jomukai, Ringi--The Ingredients of Executive Selection in Japan," p. 25.

²Drucker, "What We Can Learn From Japanese Management," p. 109.

known as ringi. Government agencies also follow it. The system is based on the principle that decisions will be made by groups, in accordance with a free consensus. Usually it is formalized by a sort of buck slip, or ringisho, which carries pertinent facts and a recommendation prepared by someone at the middle-management level. The proposal is passed upward and horizontally to all who are concerned. Each man who sees the ringisho is expected to study the proposal and affix his seal to it. Ultimately it reaches the president of the company, and when his vermilion seal is stamped, the policy is officially adopted. The fact that many men--perhaps 20 or more--will have sealed the proposal has the effect of taking the responsibility away from any one individual.

If a person's reaction to a proposal is negative, his best chance to stop--or change it will come in the many conferences that may be called to consider the proposal. However, once a consensus has been reached in conference, it is awkward to block the decision, for a unilateral disapproval offends the Japanese group spirit. Some men, however, do so by pigeonholing the ringisho. Others show their objection by affixing their seals upside down. In some organizations, a man may pass the buck by stamping his seal sideways, which, by custom, means that he has seen the proposal but not passed judgment on it.¹

The ramifications of this "group decision" system affect the efficiency and morale of the entire organization. It allows men who are responsible for a matter to propose a plan which calls for a favorable decision. Furthermore, higher executives are relieved from checking details from trusted subordinates. This is tantamount to informal delegation of authority.² Although the process of accommodation takes considerable time, once the final "stamp of approval" has

¹Van Zandt, "How to Negotiate in Japan," pp. 47-48.

²Yamada, "Japanese Management Practices," pp. 22-23.

been made, the entire organization is prepared to implement the decision. The system insures that all elements concerned with the matter have completed their staff work and have coordinated with others before forwarding the Ringisho to the president for final approval.¹ In this regard the top executive is somewhat restricted regarding final action. He is traditionally bound to either accept or reject the proposal. Modification of the proposal would be considered by those below the highest member in the hierarchy as a lack of trust or confidence in their ability.²

Hence, the Japanese are prepared to implement the decision very quickly once an issue is resolved. Little time is required to "sell" a decision.³ The total time required to transmit thought (either innovative or implemental) into action is about the same in American and Japanese firms. However, there are major differences in the overall result which Herman Kahn has graphically distilled:

. . . in a Japanese firm the debate is carried on in such a way as to increase morale and the general sense of participation, while in the American firm the debate that takes place after the decision has been made is--almost by definition--subversive, or

¹Robert J. Ballon, The Japanese Employee (Tokyo: Sophia University, 1969), p. 90.

²Stephen P. Dawkins, Foreign Service Officer, U.S. Department of State, Bureau of Far East and Asian Affairs, Japan Desk. Private Interview conducted in Washington, D.C., February 1972.

³Drucker, "What We Can Learn From Japanese Management," p. 110.

at least against official policy. It therefore is more likely to hurt morale and the sense of participation. In the Japanese system, since the debate is aboveboard and understood as necessary, everybody contributes wholeheartedly to facilitating it and conducting it as efficiently as is reasonably compatible with the objectives and customs. In the case of the American debate, since it is underground and subversive, it is difficult to facilitate or organize efficiently.¹

The Ringi process is focused on understanding the problem. By virtue of the total effort required to reach a decision, management is involved in making big decisions on truly important matters affecting policy. Small decisions frequently go unmade formally, but are left to informal processes for resolution. By contrast, American managers find themselves spending an inordinate amount of time and energy with decisions that do not really matter. In this connection Drucker makes the point:

Anyone who knows Western business, government agencies, or educational institutions, knows that their managers make far too many small decisions as a rule. And nothing, I have learned, causes as much trouble in an organization as a lot of small decisions. Whether the decision concerns moving the water cooler from one end of the hall to the other or phasing out of one's oldest business makes little emotional difference. One decision takes as much time and generates as much heat as the other!²

For some years American psychologists have pleaded for greater understanding of the effect "participative management"

¹Kahn, The Emerging Japanese Superstate, p. 44.

²Drucker, "What We Can Learn From Japanese Management," p. 111.

can have on a firm.¹ The overall lack of understanding on the part of Americans in application of this management technique explains in large measure why so many "long-range plans" and "strategies" never get beyond the planning stage. United States executives frequently attempt to implement plans by exhortation and pressure. In contrast, the Japanese system for making decisions incorporates features of "participative management" which affords managers at all levels the opportunity to become involved in a "group decision."

Labor Relations

The paternalistic nature of Japanese firms is a product of the nation's social context and has an overriding effect on labor-management relations. The Japanese labor movement was born just prior to the close of the Nineteenth Century and was immediately the target of legislative and administrative suppression. In 1940, under pressure from the powerful Zaibatsus, the government forced all unions to combine in a single organization (SAMPO) that included all employers and employees from each firm in Japan. The professed goal was a marshaling of worker spirit and national production to win the war.² The labor movement was

¹Keith Davis, Human Relations in Business (New York: McGraw Hill Book Company, 1954), p. 170.

²Masu-Ichi Honda, "Managing Personnel in Japanese Industry," Personnel Journal, Vol. 47, No. 3, pp. 191-192.

emancipated from the harness of militarism in 1945, and its future was assured by the New Japanese Constitution. Article 28 of this instrument guarantees the right to organize and bargain collectively and applies to workers employed by public corporations as well as civil servants of government at all levels. However, the constitutional guarantee of the basic right to collective bargaining is subject to restrictions necessary to guarantee the interests of the people as a whole.¹

Under the protection of the 1952 Constitution, the trade union movement in Japan has flourished and presently enjoys a membership of 11.2 million workers (35.2 percent of the nonagricultural labor force) who belong to about 48,000 unions. One seventh of the Japanese work force falls under a special labor relations law. This group consists of the public employees who number about three million (27 percent of Japan's organized labor). They have the right to bargain collectively but do not have the right to strike, although brief work stoppages and go-slow tactics are frequently utilized to show worker solidarity. Wage adjustments for employees of public corporations and civil servants are traditionally settled by arbitration on the part of the National Personnel Authority (NPA) or the National Enterprise and Public Corporation Labor Relations Commission

¹"Current Information," International Labor Review, Vol. 95, No. 3, March 1967, pp. 239-240.

(NEPCLRC). The government acts on recommendations from these arbitrators and has the final authority to implement wage adjustments. Since 1957 the government has implemented the Commission awards in full.¹ The union organization and practices by government employees parallels that of many countries.

The significant and truly unique aspect of the trade union movement in Japan is found in the enterprise union. The effect of these unions has been significant when one considers that the practices of lifelong employment, systematic promotion and wages commensurate with social and living needs have become institutionalized only since World War II with the backing of organized labor.²

The overall effect of national employment practices--deferred wage payments, semiannual bonuses and retirement allowances, diversified fringe benefits and service programs which frequently include company subsidized cafeterias and housing facilities--have given the union workers a sense of appreciation for the paternalistic stance of their employer.³ The membership of the trade unions includes all the employees of an enterprise but does not extend beyond it.

¹Shirai, "Prices and Wages in Japan: Towards an Anti-Inflationary Policy," pp. 235-236.

²Ballon, "Understanding the Japanese," p. 26.

³Honda, "Managing Personnel in Japanese Industry," p. 195.

Thus, it appears that Japanese management has devised an organization identical to the "company union," a device once frequently used by management of textile, steel, mining, and other industries in the United States, to counter attempts to organize workers by industrial and craft unions. A thorough study of the labor management practices reveals that this is not the case. The issue is made clear by Koji Taira:

The congruence of the union membership with the muster-roll of the employees of the firm often raises a suspicion that such a union may be nothing but a "company union". While one cannot deny that what the Japanese enterprise union can win for its membership is (as with other unions) broadly limited by the firm's ability to pay, it is well known for its independence from management in pursuing what is good for the workers. Japanese trade unions have succeeded in securing a respectable place for workers at the enterprise level. Japanese employers have come to accept their employees as substantive partners.¹

A distinguishing feature of the enterprise union is that it lives and dies with the firm in which it is formed.² The labor movement has established a position within individual enterprises, and their role relevant to the labor market may be summarized as follows:

- (1) Trade unions are organized on a plant-wide or enterprise basis and as a rule are composed of all employees up to the chief of

¹Koji Taira, "Participation by Workers' and Employers' Organizations in Economic Planning in Japan," International Labor Review, Vol. 94, No. 6, December 1966, pp. 530-531.

²Honda, "Managing Personnel in Japanese Industry," p. 193.

section level with permanent status.

(2) Organized labor is concentrated in firms which employ more than 500 workers. (See Table 6.)

(3) The national industrial unions are basically loose federations of enterprise unions with restricted power over their affiliates. The enterprise union has untrammelled authority in the collective bargaining process.¹

(4) Employment regulations (which include work rules and collective labor agreements) and welfare programs are considered to be a specific responsibility of management which falls outside the purview of union concern. Rather, the unions concentrate on protecting the lifelong employment and securing annual wage increases through the traditional spring wage push called Shunto-Soba or "spring-fight rate."²

The expressed desire of the Shunto leaders is to develop a wider labor solidarity in the form of industry-wide unionism. However, the offensive in fact perpetuates enterprise unionism. By offering the maximum concession proposed by the NIKKEIREN (Japan Federation of Employers' Association), plus some accouterments of its own, management fosters the enterprise consciousness of the employees and thus reduces labor problems. Juxtaposed with the unified wage demands of the Shunto leaders, minus some amount conceded by the enterprise union, the union fosters conformity with the company as well as the union. At the conclusion of union-employer negotiations, each side strikes

¹Shirai, "Prices and Wages in Japan: Towards an Anti-Inflationary Policy," p. 234.

²Ballon, "Understanding the Japanese," p. 25.

TABLE 6

PERCENT OF ESTIMATED RATE OF ORGANIZATION
BY SIZE OF ENTERPRISE, 1969¹

<u>Size of Enterprise</u>	<u>All Industries</u>	<u>Manu- facturing</u>
All enterprises	28.3	37.9
500 or more employees	63.0	76.5
100-499 employees ...	33.5	38.9
30-99 employees	9.8	10.9
29 or fewer employees	4.9	1.5

¹The coverage is limited to private industry.

Source: Japanese Ministry of Labor.

a definite balance of face-saving.¹

The effect of the Shunto has been dramatic. Between 1967 and 1970 spring rate increases exceeded 42 percent. The success of the unions in obtaining these inflationary wage increases can be attributed to the recent labor shortage (three job openings for every job seeker) and an annual increase in worker productivity that in many industries matches the wage hikes.²

More than seven million of the union members are organized in three major union federations.

Sohyo (General Council of trade unions of Japan) with its 4.25 million members is by far the most militant union, endorsing Marxist concepts of class warfare and advocating nationwide strikes. It is the major supporter of the Japan Socialist Party and takes positions on international issues which parallel the Socialist Party. Two thirds of its members are public service workers including civil servants, postal workers, and teachers.

Domei (Japan Confederation of Labor) is the second largest with 1.7 million members and consists almost entirely of unions in the private enterprise sector. It was formed in 1964 by the merging of the Zenro and Sodomei labor federations and has served as the principal supporter of the

¹Ballon, "The Japanese Employee," pp. 236-237.

²"Japanese Head For a Bout With Inflation," p. 101.

Moderate Democratic Socialist Party.

Churitsu Roren (Federation of Independent Unions) is a loose amalgam of 1.0 million industrial workers drawn mostly from the electrical, manufacturing, and construction industries.¹

The three major labor federations look upon the Shunto as a device to overcome the intrinsic weakness of enterprise unionism. The spring wage offensive is now 16 years old and has become an institution for wage-fixing. At present more than two-thirds of the organized workers take part in this collective effort to extend the level of increases achieved in firms and industries with high productivity to those with lower productivity. This collective bargaining has been effective in causing the work force to receive annual wage increases which in some sectors have not been offset by productivity.² (See Table 7.)

During the past three years the country has experienced a conspicuous rise in the prices of goods and services in the lower-productivity sectors viz-a-viz the small and medium scale industries and mining. (See Table 8.) The industries with high productivity have in general

¹The U.S. Department of State Fact Book of the Countries of the World (Washington, D.C.: Government Printing Office, 1969), pp. 358-359.

²Sharai, "Prices and Wages in Japan: Towards an Anti-Inflationary Policy," pp. 228-239.

TABLE 7

RATE OF CHANGE¹ IN WAGES, PRODUCTIVITY
AND PRICES, 1960-69

<u>Year</u>	<u>Wages (manufacturing)</u>		<u>Labor productivity</u> (manu- facturing)	<u>Prices</u>	
	<u>Nominal</u>	<u>Real</u>		<u>Wholesale</u>	<u>Consumer</u>
1960	8.0	4.2	13.1	1.0	3.6
1961	11.5	5.9	10.2	1.0	5.3
1962	9.4	2.5	2.7	-1.6	6.8
1963	10.3	2.6	9.8	1.7	7.6
1964	10.6	6.5	12.1	0.2	3.8
1965	8.7	1.0	3.5	0.8	7.6
1966	11.6	6.2	13.0	2.4	5.1
1967	13.5	9.1	16.5	1.9	4.0
1968	15.7	9.9	14.3	0.8	5.3
1969	17.2	11.4	15.0	2.2	5.2

¹"Rate of change" is the rate of increase or decrease by index points (1965 = 100) over the previous year.

Source: Wages--Ministry of Labor; labor productivity--Japan Productivity Center; wholesale prices--Bank of Japan; consumer prices--Bureau of Statistics, Office of the Prime Minister.

TABLE 8

PERCENTAGE RATES OF CHANGE IN WHOLESALE
PRICES, 1956-1969

<u>Type of Product and Source</u>	<u>Average annual rate of increase or decrease</u>		
	<u>1956-60</u>	<u>1960-64</u>	<u>1964-69</u>
All products	-0.9	0.4	1.8
<u>Industrial products</u>	-1.6	-0.2	1.3
Large firms ¹	-2.7	-1.0	0.5
Medium and small firms ² ..	0.9	1.7	3.1
<u>Non-industrial products</u> ...	0.6	2.3	4.1
Agriculture and fishery .	1.9	3.0	5.5
Mining	-2.1	0.3	2.2
Other	-1.9	2.0	1.7

¹Capitalized at 50 million yen and over.

²Capitalized at less than 50 million yen.

Source: Bank of Japan.

maintained their price levels (a modest 0.5 percent annual increase from 1964 to 1969).

It seems unlikely that the labor movement will cease its annual demand for wage increases even though they contribute to inflation and may lead to a possible loss of competitive wage advantage now enjoyed by many Japanese industries in world markets.. (See Chart 4.)

Although the labor movement has succeeded in increasing the wages of the country's work force (see Chart 5), their collective strength is debilitated by paternalistic employment practices and rivalry between the politically affiliated labor federations. Union practices in general are weakened by organization along company lines.

The postwar climate of labor management relations has been one characterized by peace. There have not been any major strikes in years.¹ The unions tend to associate their long range interests with that of the company. The real increases in wages achieved by labor in Japan have, by in large, been attributable to increases in productivity.

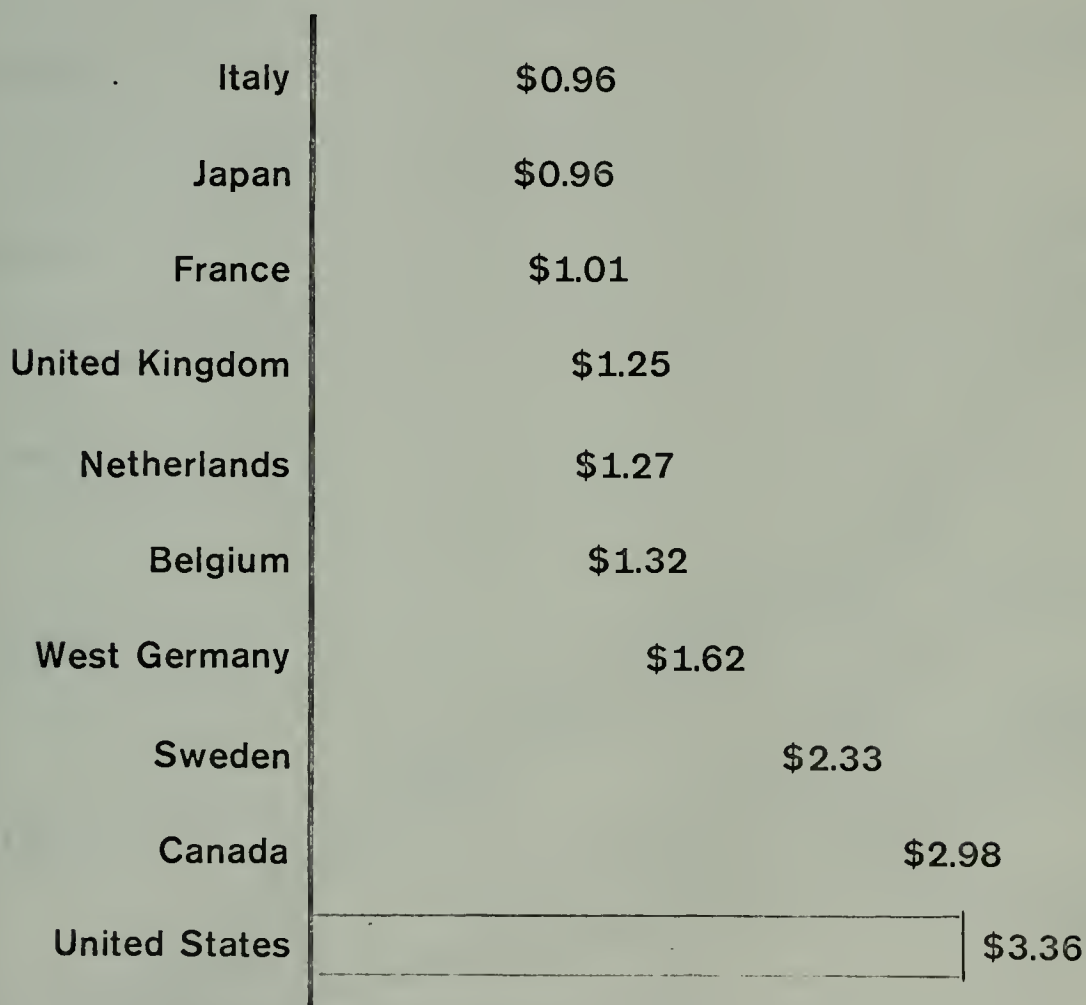
The previous discussion has covered a number of important aspects of Japan's economic institutions which have a direct bearing on Japanese managerial concepts and practices. These factors determine the decision environment for management. The implications of these concepts and

¹Peterson, The United States in the Changing World Economy, p. 61.

CHART 4

Average Hourly Earnings of Wage Workers in Manufacturing, 1970

US \$

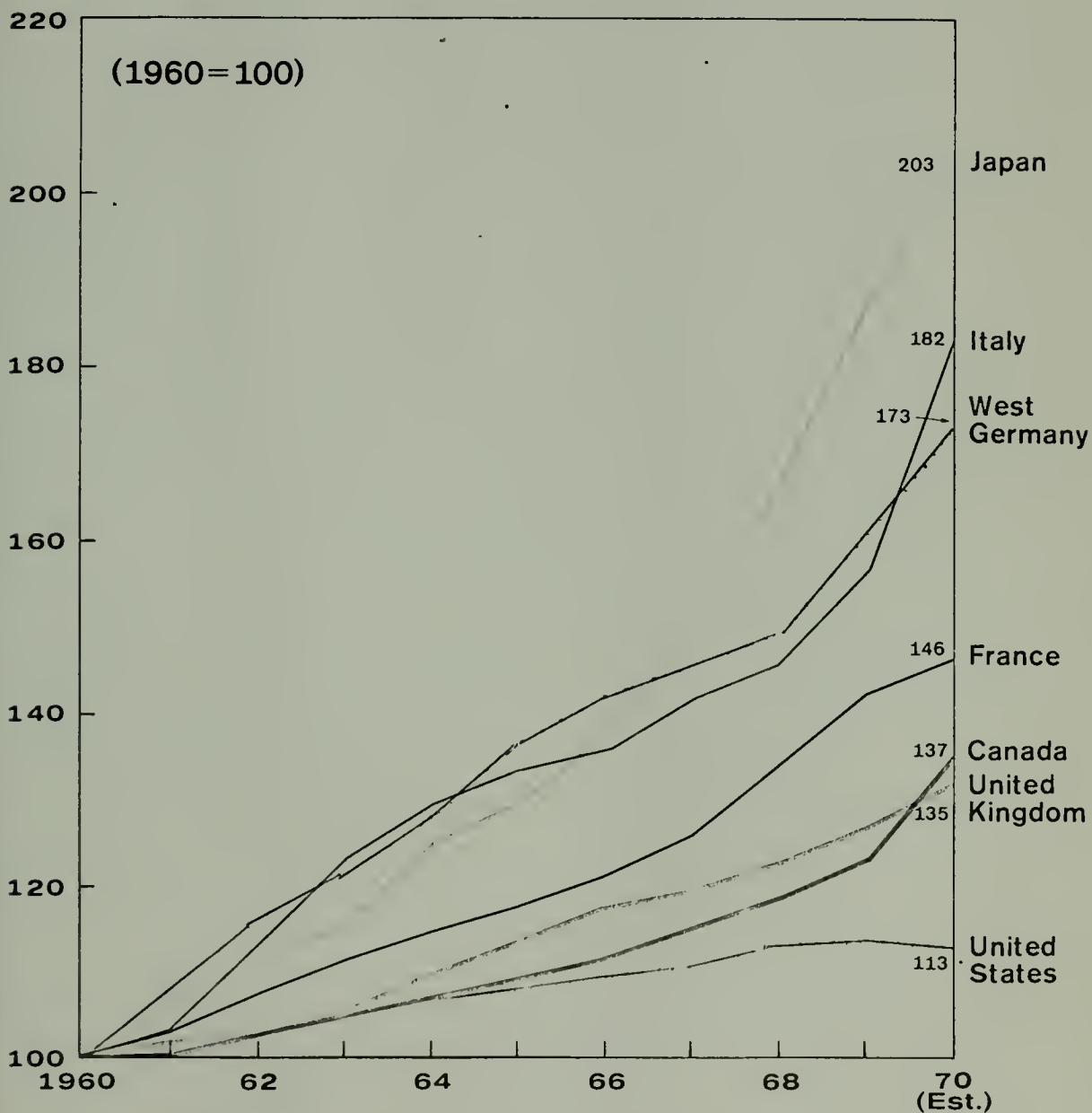


Italy	\$0.96
Japan	\$0.96
France	\$1.01
United Kingdom	\$1.25
Netherlands	\$1.27
Belgium	\$1.32
West Germany	\$1.62
Sweden	\$2.33
Canada	\$2.98
United States	\$3.36

Source: The United States in the Changing World Economy
(Peterson Report).

CHART 5

Index of Real Average Hourly Earnings of Wage Workers in Manufacturing



Source: The United States in the Changing World Economy
(Peterson Report).

functions are analyzed systematically in Chapter IV which follows.

CHAPTER IV

ANALYTICAL COMPARISON OF JAPANESE AND AMERICAN MANAGERIAL CONCEPTS AND PRACTICES

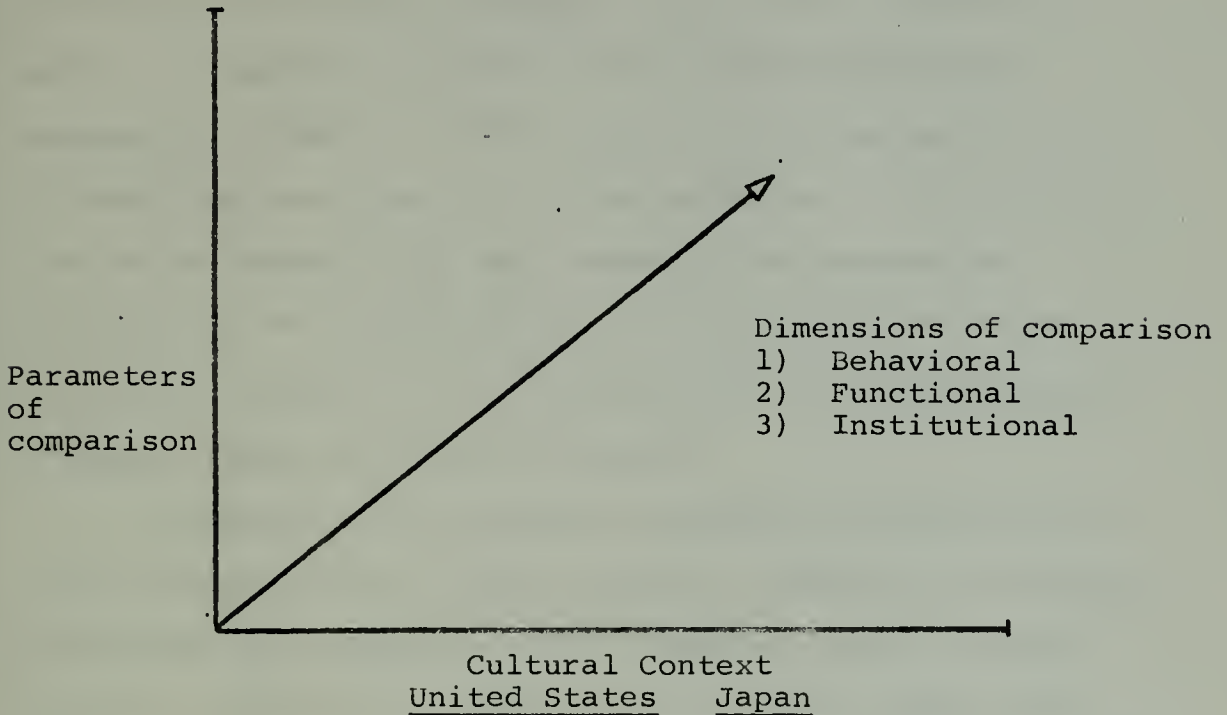
Introduction

In order to analyze and contrast the concepts and practices of management in the United States and Japan discussed above, a descriptive modeling technique was developed which illustrates the inter-cultural variances among selected parameters of managerial practices. Three analytical tables were developed to present dimensional comparisons of behavioral, functional and institutional aspects of the contemporary management practices. This analytical approach was developed from concepts which are presented subjectively in Chapters II and III of this study. It is intended that such a portrayal might prove to be a useful device for facilitating analysis of variance in contemporary management practices between the two cultures.

The inter-cultural managerial practices model thus devised presents various parameters of managerial practice within a comparative cultural context and according to conceptual dimensions may be illustrated in vector form as

shown below.

Inter-Cultural Managerial Practices Model



Three tabular matrices are used to display the dimensions of comparison depicting the variances of managerial practice attributable to the differences in the cultural environments of the two countries. When such technique is applied, it becomes apparent that external factors such as educational, sociological, legal-political and economic institutions have far-reaching impacts on managerial practices utilized within the two cultures.

The model expresses the cultural comparisons developed from an extensive survey of the available

literature. This matrix attempts to give a comparative survey of this material. Terms of parameters used to elucidate managerial practices within the cultural context are derived from the literature. It is felt that this means of comparison provides a basis for highlighting commonality as well as differences between managerial concepts and practices in the two cultures. This distillation of the thoughts of many observers of managerial practices in the United States and Japan is by no means exhaustive; however, it is considered to be representative of major trends in the two cultures.

A survey of literature on managerial practices in the United States and Japan is used to compare and contrast the managerial parameters. The literary source for each cultural comparison is indicated by a source number which provides the reader with a means of cross reference between each matrix and the appropriate bibliographical material.

MATRIX I

Inter-Cultural Comparisons of Selected
Managerial Practices

The
Behavioral Dimension

<u>Managerial Parameters</u>	<u>Culture</u>		<u>Literary Source</u>
	<u>United States</u>	<u>Japan</u>	
Worker Orientation	Individualistic Individuality Esteemed	Group Orientation Distrust of Individualism	1
Worker Responsibility	Well Defined	Weakly Defined	2
Job Analysis	Described in Detail	Not Defined	3
Compensation	By Productivity and Performance	By Age	4
Worker Bonuses	Used Infrequently	Half of Remunera- tion in Form of Bonus	5
Training	Specialization Stressed	Worker Versatility Stressed	7
Management Compensated For	Responsibility and Performance	Education and Longevity	7
Worker Allowances	Used Infrequently	Used Frequently	8
Managerial Emphasis On	Candor and Openness	Hiding Emotions Avoiding Negativism	9
Degree of Detail in Instructions	Detailed Instructions Expected	Instructions Lack Detail	10

MATRIX I--Continued

<u>Managerial Parameters</u>	<u>Culture</u>		<u>Literary Source</u>
	<u>United States</u>	<u>Japan</u>	
Work Force Homogeneity	Multi-racial Work Force	Homogenous Work Force	11
Performance Appraisal	Written Evaluation	Minimal Use of Per- formance Appraisal	12
Propensity to Work	Work For Incentives	Work for Work Sake	13
Job Security	Lack of Job Security	Job Security	14
Feelings Towards Competition	Competition De- emphasized	Widespread Competi- tive Spirit	15
Length of Employment	No Tenure	Lifetime Employment	16
Worker Loyalty to Firm	Varying Degrees of Loyalty	Intense Loyalty	17
Work Force Mobility	High	Low	18
Importance of Company Prestige	Of Some Concern	Very Important	19
Importance of Autonomy	Valued Appreciably	Of Some Concern	20
Importance of Earning Opportunities	Of Some Concern	Very Important	21
Importance of Good Physical Working Conditions	Of Some Concern	Very Important	22
Importance of Personal Rela- tions at Work Place	Of Some Concern	Very Important	23

MATRIX I--Continued

<u>Managerial Parameters</u>	<u>Culture</u>		<u>Literary Source</u>
	<u>United States</u>	<u>Japan</u>	
Importance of Flexibility and Planning	Planning More Important	Flexibility More Important	24
Worker Pride	Occupation Oriented	Employer Oriented	25

MATRIX I

LITERARY SOURCES

<u>Literary Source</u>	<u>Bibliographical Reference</u>
1.	Weber, <u>Culture and Management.</u>
2.	<u>Ibid.</u>
3.	<u>Ibid.</u>
4.	Ballon, <u>The Japanese Employee.</u>
5.	<u>Ibid.</u>
6.	<u>Ibid.</u>
7. :	Barkin, <u>International Labor.</u>
8.	<u>Ibid.</u>
9.	<u>Ibid.</u>
10.	Morita, "Tradition Adapts to a Competitive Labor Market."
11.	<u>Ibid.</u>
12.	Drucker, <u>What We Can Learn From Japanese Management.</u>
13.	<u>Ibid.</u>
14.	<u>Ibid.</u>
15.	Fortune, "Japan Today and Tomorrow."
16.	Drucker, <u>Men, Ideas and Politics.</u>
17.	Van Zandt, "How to Negotiate in Japan."
18.	<u>Ibid.</u>
19.	Lobb, "'Japan, Inc.'"
20.	Sirota and Greenwood, "Understanding Your Overseas Work Force."
21.	<u>Ibid.</u>
22.	<u>Ibid.</u>
23.	<u>Ibid.</u>
24.	Ballon, "Understanding the Japanese."
25.	<u>Ibid.</u>

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MATRIX II

Inter-Cultural Comparisons of Selected
Managerial Practices

The
Functional Dimension

<u>Managerial Parameters</u>	<u>Culture</u>		<u>Literary Source</u>
	<u>United States</u>	<u>Japan</u>	
Company Orientation	Individualistic	Company Oriented	26
Center of Responsibility	Manager Oriented	Group Oriented	27
General Approach to Problem Solving	Analytical	Intuitive	28
Importance of Prestigious Schook Back-ground	Minimal Factor	Very Significant Factor	29
Average Age of Executive	Less Than 57 Years	57 Years	30
Training	Ceases After Reaching Standard	Continuous	31
Managerial Advancement	By Performance	First 25 Years by Seniority	32
Source of Board of Directors	Outside Corpora-tion	Within Corporation	33
Managerial Emphasis On	Leadership to Communicate Policy	Skill in Maintain-ing Harmony	34

MATRIX II--Continued

<u>Managerial Parameters</u>	<u>Culture</u>		<u>Literary Source</u>
	<u>United States</u>	<u>Japan</u>	
Policy on Retirement of Top Executives	Normally Age 65	Exempt from Mandatory Retirement	35
Hours in Average Work Week	37-39 Hours	49 Hours	36
Performance Appraisal	Promotion Focused	Performance Focused	37
Propensity For Work	Job Controlling Work Rules	Work Rules Stress Flexibility of Worker	38
Job Security	Treat Lay-Offs Casually	No Temporary Lay-Offs	39
Stockholder Influence	Major Influence	Minor Influence	40
Length of Employment	For Duration of Need	Lifetime	41
Size of Staff	Appropriate Sized	Grossly Over Staffed	42
Age of Retirement	65	55	43
Basis for Promotion	Job Performance	Emphasis on Seniority	44
Management Goals	Profit	Full Employment Company Growth Stable Jobs	45
Primary Source of Capital for Expansion	Retained Earnings	Borrowed Capital	46
Formal Delegation of Authority	Considerable	Minimal	47

MATRIX II--Continued

<u>Managerial Parameters</u>	<u>Culture</u>		<u>Literary Source</u>
	<u>United States</u>	<u>Japan</u>	
Decision Making	Middle Management Makes Many Decisions	Only Top Management Makes Decisions	48
Primary Source of Capital	Equity and Long Term Debt	Short Term Debt	49
Debt Equity Ratio	.5:1	4 or 5:1	50

MATRIX II

LITERARY SOURCES

<u>Literary Source</u>	<u>Bibliographical Reference</u>
26.	Weber, <u>Culture and Management.</u>
27.	Morita, <u>Tradition Adapts to a Competitive Labor Market.</u>
28.	Keiei, <u>Are Japanese Executives Better.</u>
29.	Weber, <u>Culture and Management.</u>
30.	<u>Ibid.</u>
31.	Drucker, <u>Men, Ideas and Politics.</u>
32.	<u>Ibid.</u>
33.	Weber, <u>Culture and Management.</u>
34.	Barkin, <u>International Labor.</u>
35.	Peterson, <u>The United States in the Changing World Economy.</u>
36.	<u>Ibid.</u>
37.	Drucker, <u>Men, Ideas and Politics.</u>
38.	Chandler, "Management Rights: Made in Japan.:"
39.	Barkin, <u>International Labor.</u>
40.	Imai, "Shukko, Jomukai, Ringi--The Ingredients of Executive Selection in Japan."
41.	Drucker, <u>Men, Ideas and Politics.</u>
42.	<u>Ibid.</u>
43.	Drucker, <u>What We Can Learn From Japanese Management.</u>
44.	"A Shortage of Workers Changes Japan."
45.	Van Zandt, <u>How to Negotiate in Japan.</u>
46.	Peterson, <u>The United States in the Changing World Economy.</u>
47.	Yamada, <u>Japanese Management Practices.</u>
48.	Drucker, <u>Men, Ideas and Politics.</u>
49.	Peterson, <u>The United States in the Changing World Economy.</u>
50.	<u>Ibid.</u>

MATRIX III

Inter-Cultural Comparisons of Selected
Managerial Practices

The
Institutional Dimension

<u>Managerial Parameters</u>	<u>Culture</u>		<u>Literary Source</u>
	<u>United States</u>	<u>Japan</u>	
Transferability of Managerial Skills	Widely Transferable	Limited Transferability	51
Financial Record Disclosure	Disclosure to Employee Minimal	Wide Disclosure to Employees	52
Business- Government Relationship	Checks and Balances	Advocacy	53
Management Views Worker As	A Source of Service	Collaborators	54
Strength of Labor Unions	Powerful	Generally Weak	55
Work Loss Due to Strikes (1968)	49 Million Man Days	2.8 Million Man Days	56
Labor- Government Relationship	Separated by Tradition	Tacit Partnership	57
Basis For Union Organization	Craft or Industry	Enterprise	58
Graduate Specialty Training	Accepted and Used	Much Resisted	59

MATRIX III--Continued

<u>Managerial Parameters</u>	<u>Culture</u>		<u>Literary Source</u>
	<u>United States</u>	<u>Japan</u>	
Union Structure and Control	Centralized	Decentralized	60
Public View Towards Strikes	Accepted As a Way of Life	Costly and Counter- Productive	61
Primary Source of Technology	Research and Development	Purchased	62
Corporate Climate for Exporting	Much Competition	Reduced Competition	63
Use of Inter- national Trading Companies	Minimal- Growing	Significant (88 Percent of Exports)	64
Multi-Firm Efforts to Improve Productivity	Implications of Antitrust	Encouraged by Government	65
Conglomerates	Implications of Antitrust	Encouraged by Government	66
Corporate Loans	Limited Government Underwriting	Widespread Government Underwriting	67
Institutional Involvement in Quality Control	Responsibility of Specialists	Responsibility of Total Organization	68
Labor Costs	Variable	Fixed	69
Management Orientation	Specialist	Generalist	70

MATRIX III--Continued

<u>Managerial Parameters</u>	<u>Culture</u>		<u>Literary Source</u>
	<u>United States</u>	<u>Japan</u>	
Delineation of Staff and Line	Clear	Not Clear	71
Source of Audits	Independent Accountants	Accountants From Firm	72
Importance of Exports	12.8% of Production	30.1% of Production	73
Organization of Firm	Functional	Elaborately and Minutely Divided	74
Sales and Distribution Channels	Internal to Firm	External Through Trading Companies	75

MATRIX III--Continued

<u>Managerial Parameters</u>	<u>Culture</u>		<u>Literary Source</u>
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CHAPTER V

CONCLUSIONS

It is always difficult to cross over widely divergent cultural practices and objectively view variants in management style. This is especially true when the country, as in the case of Japan, has a singular history and culture. The evolution of managerial practices in Japan can be described as one which has blended the scientific management of the United States with the traditional cultural factors such as filiality which continue to be pervasive within the Japanese society. Due to this commonality of scientific management, Japan may be analyzed using a United States perception which makes this type of study valid.

Before World War II the scientific management concept developed in the United States had permeated many of Japan's industries and the country was recognized as the only Asian country with advanced industry and technology. The period of occupation after the war brought about an increased assimilation of Western industrial practices. The economic development of Japan post World War II represents an expression of a unique blending of traditional Japanese concepts and industrial practices with the Western

influences brought in during the occupation. This agglomeration of practices gave new value to the traditional practices which have become uniquely suited to advanced industrial activity.

Some of the unique practices which can be qualitatively described have contributed to the unparalleled growth of that nation's economy. The recent impact of Japan's industry on world markets has been significant. The sustained increase in productivity has caused managers from other nations to look introspectively at their own managerial practices and contrast their performance to that of the Japanese. In making such an evaluation it is important to consider the institutional environment as well as the behavioral and functional settings of the two cultures.

The three most critical factors which have contributed to the differences in managerial practice in the United States and Japan are reviewed briefly.

The Business-Government Partnership

- Japanese management receives an unquantifiable support from a government oriented towards cooperation rather than confrontation with business institutions. This spirit of cooperation is manifested through special tax advantages and financial support for firms in selected industries which the government and business jointly deem to

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merit in that it has enabled Japanese management to build effective, energetic and cohesive work force units which have collectively contributed to the economic growth of that nation. Workers in Japan enjoy a "psychological contract" with management which contributes to a strong feeling of security stemming from the knowledge that their employment for life will provide for income according to age and social responsibility. The Japanese worker knows intuitively that once he has achieved a permanent status, the firm will undertake the responsibility of providing an income even when there is insufficient work to maintain all permanent workers engaged in productive pursuits. This commitment is also applicable to the management of the firm in that when staff managerial personnel are employed upon graduation from the university, they are normally assured gainful employment for a minimum of twenty-five years. This system has caused employees and employers to think of themselves as members of the same team who through joint efforts can achieve maximum benefits for the firm and the individual. As a result the Japanese worker is imbued with a profound sense of loyalty to his employer which contributes to high worker motivation and productivity.

The Employee-Management Relationship

The tendency of the Japanese worker to identify closely with his organization or firm has a far-reaching

impact on morale and the status of unions in Japan. While the work force has about the same proportion of organized workers in Japan as is the case in the United States, there exists a major variation in the relationship between management and labor in that all collective bargaining is conducted at the enterprise level rather than by individual craft and skilled groups. The dual loyalty between workers and the firm negates the need for a strong allegiance to a third party in the work place. This results in the tendency for unions to associate long range worker interests with that of the firm. This close association of workers and management has led to the involvement of management in many matters considered to be extraneous to the organization and avoided by management in the United States. Abegglen has observed:

Problems of family finances, living standards and [family] education give an indication of the range of involvement of the company in the life of the worker. What is most interesting about these situations is that company action is not taken reluctantly or accepted grudgingly. Both management and workers assume it is the company's responsibility to involve itself in such matters and the worker's privilege and¹ duty to receive such assistance and attention.

It is apparent that this type of management involvement in the welfare of the worker, together with the spirit of loyalty of the worker to the firm, has resulted in a national labor-management relationship which has been

¹Abegglen, The Japanese Factory, p. 97.

characterized by peace and harmony and has been free from strikes in major industries for many years.

The Inter-Cultural Managerial Practices Model provides considerable introspection to the practice of management in Japan. The matrix approach has been useful in comparing and contrasting the practice of management in the selected countries. Valuable insights may be drawn by using the United States' conception of the managerial function process. The model is valid and useful. It furnishes a unique approach to systematically measure cultural variance.

The managerial practices in Japan are a variant of United States management, yet there are significant and unique differences. Based upon the analytical techniques developed during the course of this study it may be concluded that the concepts and practices are influenced by the external environment and culture.

While opinions differ, it seems clear from this study that there are pressures developing within the Japanese society which will bring about a change in work force values. Additional research on the impact of these changes in employment practices would be timely and appropriate.

Ultimately Japan's economic future depends upon how well the traditional values and principles of scientific management are blended together into a posture which accommodates the inevitable dynamic of change. The unique

experience following World War II may not provide a model for the long term future in that traditional values may not continue to be relevant in an advanced or post-industrial social setting.

While this study delineates many points of contrast between Western culture and the unique culture of Japan which effect managerial practices and performance, the implications are clear that Japan must determine the relative social trade-off between the social costs of maintaining traditional values and structures and the benefits of continuing the impressive rate of economic growth characteristic of the postwar period. Implicit in this choice is a movement towards convergence with Western social values and managerial practices characteristic of the prototype industrial society of the United States or the development of an independent managerial methodology as the industrial system of Japan matures. This study reveals numerous tendencies towards convergence in the managerial styles of Japan and the United States. The study suggests that the rapidity of convergence will ultimately depend upon the maturation of the Japanese industrial system and that ultimately the two systems will tend to converge once the level of economic development becomes generally comparable.

It should be noted, however, that it is impossible to divorce cultural bias from a study of this nature. Since

the traditional structure of management theory is based primarily on Western concepts it is simpler to gauge apparent impact of the United States system of scientific management on Japan than to assess the reverse impacts of the Japanese synthesis on United States management concepts and practices. It is, therefore, obvious that the convergence discussed above will at least in part be influenced by Japanese influences operating on United States managerial practices. The final outcome of these mutual influences will be more clearly seen once economic growth produces a general managerial environment in Japan similar to that experienced in the United States and the reverse impacts will be determined by the degree of success that Japan achieves in commercial competition with the United States and other economies.

Perhaps the greatest opportunity to gain the advantages of both systems of managerial practice lies in thoughtful and rigorous examination of the mutuality of influences that the two unique and flourishing cultures exert on one another. Students and practitioners of management should be aware of the blending of concepts and social values in order to proact and compete successfully with the Japanese in world markets.

APPENDIX

GLOSSARY OF JAPANESE TERMS

AMAERU	Longing to be looked after and protected.
BATSU	Clique.
CHONIN	Businessmen.
DANTAI KOSHO	Collective bargaining.
DANTAI KYOYAKU	Collective agreement.
GI	Deliberations and decisions.
HANKO	Personal stamp.
HIRAGANA	Current Japanese syllabary.
JIYUKA	Liberalization of manpower.
JOMUKA	Conclave of key members of board of directors.
KANJI	Japanese ideographic script.
KATAKANA	Current Japanese syllabary.
KEIRETSU	An alignment of firms based on common interests sponsored by one bank.
KAGAI	Worker hired by firm upon leaving school.
KAGAISHA	Small firm sponsored by larger firm.
KOIN	Wage worker.
NENKO JORETSU	Merit of years.
NIHONTEKI KEIEI	Japanese practice of management
OYAGAISHA- KOGAISHA	Grouping of satellite firms around large firm.
RIN	Submitting proposal to a superior for approval.

APPENDIX--Continued

RINGI	Japanese process of decision making.
RINGISHO	Buckslip used by Ringi process.
SHOKÜ-BA	Place of work.
SHOKUIN	Person in charge management level.
SHUGYO KISOKU	Employment regulations.
SHUKKO	System of transferring worker to subsidiary firm.
SHUNTO	Annual push for wage increase.
SHUSHIN KOYO	Lifelong employment
SOOGOO SHOOSH	General trading company
ZIABATSU	Huge politically and economically powerful combines usually family dominated and tightly controlled through financial and management interlocks.

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